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NEWS SUMMARY

GENERAL

Rees in Ulster 'Congo' warning

Ulster would face a "Congo-style" civil war if there was a British withdrawal, Secretary of State, Mr. Merlyn Rees, warned at the week-end.

In radio interviews he used the Congo illustration to stress the British Government's determination to continue direct rule while seeking a political solution. But Official Unionist leader, Mr. John Taylor, said he believed eventual British abandonment was inevitable and that the present Ulster crisis was heading towards a climax. The sectarian war continued with the death of a Catholic in a bomb and bullet attack on a pub.

In London, where four bombs exploded last week, Bomb Squad chief, Commander Roy Habershon, predicted a long campaign. Passengers were evacuated from two British Airways flights at Heathrow yesterday after bomb warnings, but nothing was found. Back Page

Army units defy pro-Left chief

Indications were growing in Portugal of increasing resistance to the Communist faction within the armed forces. New challenges to the authority of ex-Premier Vasco Goncalves, now Chief of Staff, came from units in the Azores and in northern Portugal. The Socialists and the nine moderate officers in the Armed Forces Movement also rejected the new political moves. Page 7

Executive rescue

Argentine police rushed a guerrilla hide-out yesterday to rescue kidnapped British company chief Charles Lockwood, 66. They killed four of his captors. Mr. Lockwood was freed on payment of $2m. ransom when previously kidnapped in 1973.

Power struggle

THE Labour Party is facing a critical power struggle between moderates and the Left-wing which is likely to result in domination of the policy-making body by militants. This is shown by nominations for the NEC, contained in the agenda for the party conference in October. Page 4.

£6 a ticket

The fixed penalty for a number of traffic offences, including illegal parking, goes up from £2 to £6 from to-day. If fixed penalties are not paid, fines of up to £100 can be imposed. The Home Office expects a big drop, both in tickets issued and unpaid. Page 28

Hooliganism talks

Transport Police are to meet rail officials to-day to discuss the damage caused by fans in what was called the worst football Saturday in memory. But soccer specials are unlikely to be stopped. Football, Page 2

Flush of shame

The state of public lavatories on Britain's motorway service stations is a national disgrace, says MP Mr. Tom Torney, who is to urge Mrs. Barbara Castle to order an immediate clean up.

People and places

Five people, including four young children, lost their lives in a house fire in Bootle. Five others were injured.

A fall in demand for golf balls from 22,000 doz. a week to 16,000 doz. will result this week in the laying off of 350 women out of the 450 workforce at the Dunlop factory at Speke, Liverpool.

Mrs. Caroline Marsh, wife of BR chief Mr. Richard Marsh, was still in critical condition yesterday in a Malaga hospital, from injuries received in a car crash on Wednesday.

Post-mortems are to be carried out at the RSPCA Putney hospital on 40 ducks found dead in the Thames between Hampton Court and Kingston Bridge since Friday.

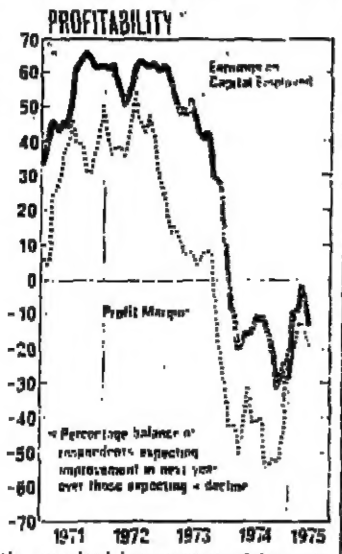
BUSINESS

Pay curbs bring business optimism

● THE GOVERNMENT'S pay restraints are already bringing a slow-down in the rise in industry's wages costs, contributing to a slightly more optimistic view of the general business situation, according to the latest Financial Times survey of business opinion.

The other helpful indicator is

PROFITABILITY*



the marked improvement in companies' liquidity after the strains of last year.

Prospects for profitability, however, have taken a sharp turn for the worse. Profit margins, earnings on capital employed and earnings per share all showed a deterioration. Back Page and Page 33

● CUTS in indirect taxation of between £500m. and £1bn. are seen as part of a "modestly reflationary" Budget by stockbrokers Phillips and Drew in their latest economic forecasts. Page 4

● POWERFUL MEASURES, costing millions of pounds, are being taken by European countries other than the U.K. at Government and industry level to reduce the growing number of unemployed, a report shows.

Details are spelled out in a publication by Incomes Data Services, an independent research organisation. Page 32.

Jones campaigns for compulsory investment

● A CAMPAIGN demanding Government powers to force companies and pension funds to allocate more money for investment was launched yesterday by Mr. Jack Jones, general secretary of the Transport and General Workers' Union.

He has proposed to the Chancellor, Mr. Denis Healey, that company profits should be siphoned into a special fund, where the cash would earn no interest until used for approved new investment. Back Page

● BRITAIN'S General Electric Company will be blacklisted by all Arab States if it does not cease trading with Israel within three months threatens a Cairo conference of Arab boycott offices. Back Page

● PUBLICATION of the Sandilands report, due on Thursday, is expected to recommend the widespread adoption of some form of inflation accounting to support—or even replace—traditional historic cost accounts. Page 32

● A FURTHER FALL in demand for consumer durables is in prospect according to the FT monthly survey of consumer confidence. The number of people who favour an early purchase of such items declined last month, producing a sharp fall in the "time-to-buy" index. Page 32

● BRITISH LEYLAND is paying £3m. to save Marshall-Fowler, the last British-owned builder of crawler tractors. A further £2.7m. is to be spent on modernising the Gainsborough plant as part of the deal, which has the approval of Industry Secretary, Mr. Eric Varley. Back Page

Back £6 or Government may fall, Jones warns

BY JOHN ELLIOTT IN BLACKPOOL

TUC leaders will this week consolidate their close relationships with the Labour Government when their annual congress here overwhelmingly approves the £6 pay limit against a background of fears that the Government might fall if the policy fails.

Last night on the eve of the Congress at Blackpool, Mr. Jack Jones of the Transport Workers warned that breaches of the policy, coupled with rising unemployment, could lead to an early General Election.

He also called on the Government to take powers to force increased industrial investment.

At the same time Mr. Len Murray, TUC general secretary, heralded the Congress week as marking a significant advance in the "development of trade unions and their integration in society," with considerable advances in industrial democracy.

The main concern this week, however, among both the union leaders and the 1,000 delegates representing the TUC unions' 10.3m. members, is the fear of rising unemployment this winter and the impact of low industrial investment and rising prices on their livelihoods.

Mr. Murray said yesterday he was confident the policy would be approved but he made it clear that he also hoped the Government would listen to the speeches in the Congress, because "to us this policy is about jobs and prices, and not just about pay."

He will spell this out in his main economic speech on Wednesday, along with a warning that the £6 should be universally applied and not reduced in pay negotiations. He will also send a clear message to the CBI and others that the TUC is not prepared to be steamrollered into discussing yet what might replace the current policy next August.

Strident note

Mr. Jones, main architect of the TUC's special relationship with the Government, struck a more strident note and warned that there could be a General Election before the end of the year "if unemployment rises and the divisions grow apace within the ranks of the Labour Party and the trade unions."

Such an election could easily be lost by Labour, whose retention in office was vital to the trade unions and the country, he said. Mr. Jones praised the Government for "pumping many millions of pounds into industry" to keep companies going in many areas, and then condemned the drift of manpower from manufacturing to service industries because it created "unnecessary employment."

Mr. Jones also chose this week-end to reveal that he has been urging—so far with little success—Mr. Denis Healey, the Chancellor of the Exchequer, to make companies create special investment funds along the lines of a scheme operating in Sweden which has already been adopted as policy by the TUC.

This illustrates the unions' growing concern about the level of both investment and public expenditure, and loud cries can be expected this week from many unions, especially those in the public services, about the damage the Government will do to both the country and the Labour movement if it reduces its expenditure.

But despite these worries only one major public service union, the Public Employees, has decided to go against the policy, along with one or two from the Civil Service and the engineers. The opposition camp, however, was given a boost last night when the Construction Trades delegation fell to a Left-wing attack and decided by 17 votes to 14 to vote against the £6.

Other TUC news Page 5
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embarrassing its leaders, who had lent their names to one of the Congress resolutions backing the policy.

The National and Local Government Officers, however, decided overwhelmingly to back the policy, which is now set to be approved by some 6m. votes with just over 3m. in opposition.

This means that the Congress will pass the TUC's policy document on the subject together with a long resolution saying broadly the same thing but stressing the economic actions expected in return from the Government. It will reject a Left-inspired resolution of opposition and will dismiss a call from a Civil Service union for a special Congress to be assembled early next year to review developments.

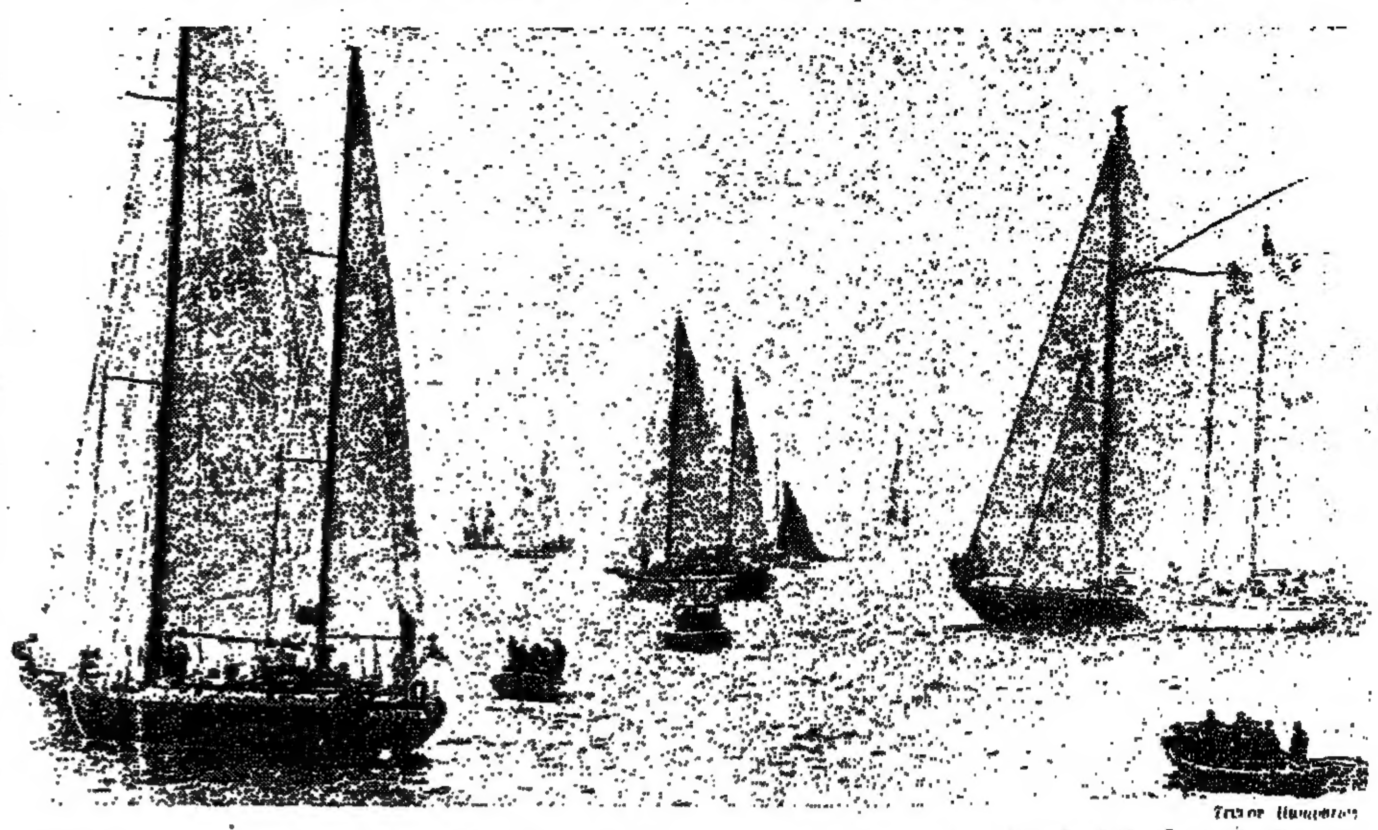
The sharp in-fighting over the policy is likely to leave its scars, and Mr. Jones did not please some of his Left-wing former allies when he called at a Left-wing Tribune meeting for "unity because of the problems we are facing."

"We have had a fever with wage rises running up to 60 per cent., and if you go that way you arrive at a banana republic where £1 will be the value of a piece of toilet paper—that is the problem we have to arrest," he told them.

"Socialism means being able to take part now and not just dream dreams."

On the more general front of the expansion of trade union influence Mr. Murray said yesterday: "We have made major progress, with trade unionists getting more and more involved in decision-making at national, industry and company level, and in 10 years time we'll be remembering 1974-75 as a time when we charted out a whole new case for the development of trade unions and their integration in society."

FT CLIPPER RACE GETS UNDER WAY



Trevor Humphries

Off to Sydney. The four contestants at the start of the Financial Times Clipper Race get under way off Sheerness yesterday morning. The Frenchman, Kriter II, is on the left with the Dutch entry Great Escape in the centre ahead of the launch. Great Britain II, with K3566 on her sails, is partly hidden by the Italian CS and RB II Busnelli.

More pictures and report Page 5

Special session of UN

By Malcolm Rutherford

NEW YORK, August 31.

THE SEVENTH special session of the United Nations General Assembly opens here to-morrow with no one quite sure whether it will lead to a confrontation between developed and developing countries or the beginning of a constructive dialogue on the so-called new economic order.

An immediate concern among Western delegates is that some developing countries, notably Syria and Algeria, may seek to exclude Israel from UN organisations. This could effectively wreck the special session, and provoke an extremely hostile reaction from the U.S.

Dr. Henry Kissinger, the U.S. Secretary of State, hinted strongly in a speech in July that any measures against Israel might lead to partial withdrawal of U.S. support from the U.N.

This threat did not deter some Arab countries from campaigning for anti-Israel moves at the meeting of non-aligned countries in Lima last week.

The Algerians, in particular, have special powers in this respect because Mr. Bouteflika, their Foreign Minister, will be in the chair and able to rule on a number of procedural questions.

At the General Assembly last autumn he was accused of blatantly manipulating the rules against both Israel and South Africa.

The main business of the special session is to discuss economic relations between developed and developing countries. These discussions have been going on for several years but have become more urgent since the fivefold rise in oil prices, which has affected some developing countries even more than the industrialised ones.

Mr. Callaghan, the Foreign Secretary, addresses the special session on Tuesday.

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U.S. and EEC reach compromise on gold

BY PAUL LEWIS, U.S. EDITOR

WASHINGTON, August 31.

THE COMMON MARKET finally ended its long quarrel with the U.S. over the monetary role of gold this week-end, with a compromise agreement that provides for a substantial sale of gold by the IMF and places a ceiling on total Central Bank holdings for two years.

The agreement is part of a limited package of monetary reform measures that also includes a 32.5 per cent. increase in IMF quotas, with the oil-exporting countries doubling their voting strength in the fund. However, the U.S. is still refusing to implement either of these decisions unless France also agrees to endorse floating exchange rates—and this unresolved dispute has been put on one side until next January's Ministerial meeting of the IMF governing interim committee in Jamaica.

The opening of the IMF's annual meeting also produced a strong appeal from Mr. Denis Healey, Chancellor of the Exchequer, for more reflation in Germany and Japan to end the world recession.

He was supported by the OECD Secretary-General, Mr. Emile Van Lennup, and Dr. Johannes Witterveen, IMF managing director, who congratulated the Chancellor on Britain's improved balance of payments—though he thought industrial re-stocking would make it hard to sustain in the second half of the year.

There was no indication that either Germany or Japan intend to change their present economic policies as a result of these pleas—and the Finance Ministers of both countries told their colleagues from the rest of the industrial world in the Group of Ten to-day that their prime duty was to reduce global inflation by avoiding excessive expansion.

The understanding on gold was hammered out at yesterday's meeting of the so-called Group of Five—which comprises the Finance Ministers of France, Germany, the U.S., Britain and Japan, and which was attended by the Canadian Minister.

It was subsequently ratified this mornin gby the rest of the developed world in the Group of Ten and by the IMF interim committee, where the poorer countries are represented.

It provides, firstly, for all references to gold to be removed from the fund's articles of agreements, so that countries will no longer be required to use gold in any transactions with the IMF. Secondly, the IMF is to sell off one-sixth (25m. ounces) of the 150m. ounces of gold in now holds, using the profits to provide financial aid on concessionary terms to the poorest members of the developing world.

This gold may either be disposed of to central banks or the private market. But in either case, the IMF has an interest in securing the best price it can.

The IMF is also to return another 25m. ounces of gold to member countries in the proportions in which they originally subscribed it. There is general agreement that the fund's remaining 100m. ounces should be disposed of in some way, though no decision on whether to sell it or give it back to member countries has been taken.

For two years following ratification, the industrialised countries who make up the Group of Ten have also agreed not to increase their own aggregate holdings of monetary gold or to allow the IMF to acquire any more. Individual countries will effectively be banned from buying on the free market for their reserves and can acquire more gold only if another country wants to sell.

There can thus be no question of any country supporting the world gold market or trying in some other way to establish an

Continued on Back Page

Israel Cabinet may approve interim agreement to-day

BY ROBERT GRAHAM

JERUSALEM, August 31.

DESPITE A LITTLE last-minute caution, the elaborate ballet of U.S. Secretary of State Dr. Henry Kissinger's shuttle mission has entered its final phase. Dr. Kissinger left for Alexandria this afternoon amid signs that it would be his last or last trip but one to Egypt before the initialling of the new interim agreement between Egypt and Israel.

The Israeli Cabinet has postponed its normal meeting to-day and is due to hold it to-morrow morning. Then it is expected that the Cabinet will both discuss and approve the final document —barring any last-minute hitch.

Over the week-end Dr. Kissinger announced that he had decided to cancel his appearance at the opening of the U.N. on Tuesday, at which he was going to give an important speech. This caused a flurry of speculation that there were last-minute complications.

In fact, what has happened is that detailed and precise drafting of the document, with its annexes relating to the technical side of the new Israel withdrawal, has taken longer than expected.

A major element in the extension of the negotiations has been the Israelis' desire to lay down as precisely as possible the terms of the technical negotiations in Geneva on the mechanics of disengagement. They want to insure against any pitfalls and prevent these negotiations dragging out beyond the anticipated two to three weeks.

The Egyptians reportedly want to raise their military presence in Sinai from 7,300 men to 12,000, and the number of tanks from 35 to 75.

Another element which has taken time to iron out was Dr. Kissinger's demand (apparently changing tack) that Israel not only initial but sign the agreement before Congress debates the controversial issue of deploying American technicians in surveillance stations in the new Sinai buffer zone.

Originally, the Israeli negotiators refused to sign the agreement until the technical negotiations had been completed and Congress had given its approval.

Eventually, the Israelis gave way, making it clear, nevertheless, that nothing could come into effect if Congress did not approve.

Israel remains confident, however, of obtaining congressional approval.

So providing everything goes smoothly, not only the initialling but also signature of the agreement could take place next week by Egyptian and Israeli representatives face to face in Geneva.

Michael Tingay writes from Alexandria: The interim Sinai accord has developed the symptoms of a marriage where the brokers have become bogged down in dowry details. This was the description given by a senior observer on the lawn of President Sadat's Mamoura rest house as Dr. Kissinger arrived by helicopter for the sixth Alexandria leg of his current shuttle.

In a routine Press conference, President Sadat said that there were no matters of substance remaining in the talks. Dr. Kissinger had already tried to reassure reporters at the start of his three hour stopover that there was no deadlock but only complicated technical problems which he expected in the final phase of negotiations.

The details in which Dr. Kissinger has become inextricably involved are the military questions, the sources say, like the exact nature of the weapons which the Egyptian police and Abu Rudeis coastguards will be allowed, the arms limitations details, and possibly the nature of the control of the early warning stations.

The sort of problems which have long been worrying the Egyptian military concern the possible propaganda gains to Israel if too much were made by Israel of the sharing of the road to Abu Rudeis.

The new world disorder

BY ANTHONY HARRIS

IN THE plethora of international meetings being held this week, one has attracted a particularly bad advance Press: the U.N. Special Assembly on the New International Economic Order. The new order, we are told, is but the disorder writ large, a futile attempt to interfere with the forces of the market-place and to institute, in entirely inappropriate areas, the OPEC example of a producer cartel. Such efforts are doomed to failure, and we should have nothing to do with them. There are plenty of respectable people holding this view: from which you may gather that I do not.

It is worth first of all clearing up what is not in dispute. It can be agreed that oil is a very special case—much cheaper than any substitute, produced partly in sparsely-populated countries, and so forth. The idea of some of the proposed OPECs is absurd—bananas, which are not essential to anyone's economy, or iron ore, the most abundant material in the earth's crust.

Rarer commodities where production is concentrated in a few countries, and few alternatives are known, may yield bigger rewards to their producers—and the list is quite long, including chrome, mercury, phosphate rock and many other quite important materials. Here it is not OPEC, with a history of a few years, which proves the potential: De Beers has been proving it for generations. However, this is not the subject at issue. It is the producers of a whole range of far from rare minerals and tropical crops who wish to improve their terms of trade.

Very well. In many cases they are likely to be disappointed. New coffee plantations come to abundance quite quickly. Bauxite is not essential for the production of aluminium. Copper has been discovered in Panama: and, in general, an attempt to rig the market for any mineral is likely to provoke a new wave of prospecting with a high chance of success. All this can be admitted; but what is likely to happen to the world economy during the period it will take to convince the producers that they cannot, in the long run, succeed?

This is the New Disorder which is really to be feared: a period of attempted monopoly. One certain result of the attempt, which must involve directives to limit output, nationalisation, or both, is that investment in new capacity will be drastically reduced and old plant run down. Induced shortage would become real shortage, to nobody's benefit.

The fact is that investment in mineral production has already been disrupted by past political and economic upheavals: the expert view, as represented by the Commodity Research Service, is that a large increase in investment is required if the next explosion in commodity prices is not to be still more violent than the last.

In addition, of course, a policy of refusing even to discuss new arrangements for commodities would result in a general political confrontation. Dr. Kissinger has tried to warn everyone possibly concerned that dependence is not a one-way affair: the U.S., Canada and Australia are the world's major exporters of the most basic commodity of them all, grain. As Morgan Guaranty point out in their latest economic bulletin, the climatic changes of recent years have further increased the world's dependence on U.S. abundance.

The fact, sad or happy, is that the laws of the unfettered market no longer rule commodity trade, as has so often been the case in the world's history, access to commodities is again the stuff of politics, and the substance of power. Those with large power of their own in this respect, like the U.S., can afford to issue warnings; but the ill-endowed rich countries, short of war, have less than anyone else to bargain with—and that means us, the Europeans and the Japanese. Lacking power, we must see what generosity and constructive sense will buy—as the EEC and our own Government have, happily, already recognised.

New Wedgwood museum

A NEW Wedgwood Museum, adjoining the factory of Josiah Wedgwood and Sons at Barlaston, Staffs, will be opened on Wednesday by Lord Clark, a trustee of the British Museum.

The galleries will house what is thought to be the most comprehensive collection of early Wedgwood.

In addition, a number of paintings that have not been on show for some time will be shown in the picture gallery. They include works by George Stubbs, Sir Joshua Reynolds, Joseph Wright and John Flaxman.

Among the displays will be a case containing six Wedgwood first-edition Portland vases—three of them perfect. Probably the rarest item is one of the six first day vases thrown by Josiah Wedgwood at the potter's wheel on the opening day of his Etruria factory in 1769.

New £1m. Humber bridge contract expected soon

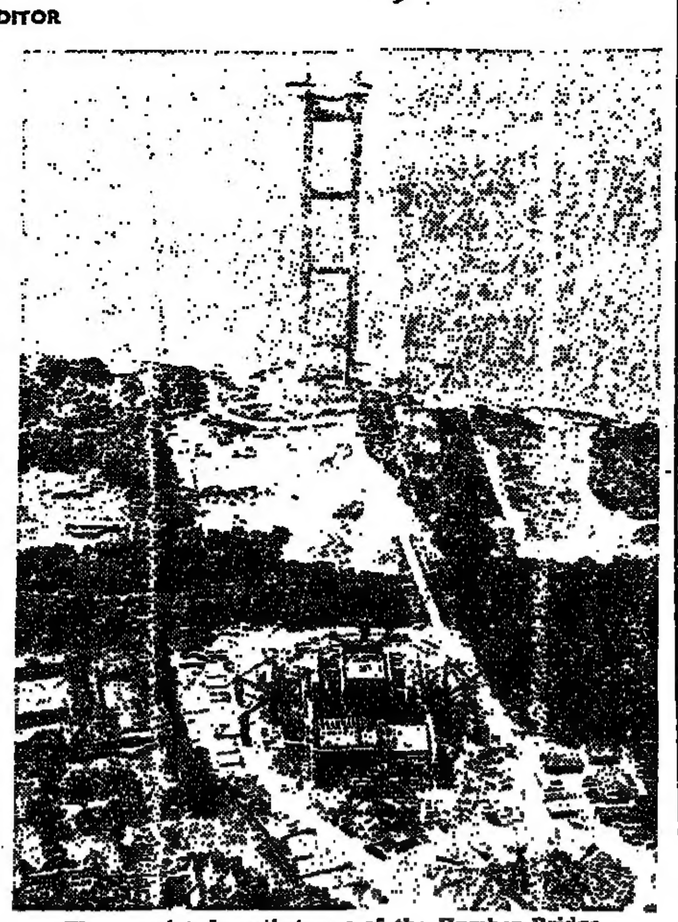
BY ROY HODSON, REGIONS EDITOR

A NEW contract worth about £1m. for an approach road and toll booths area at the northern end of the Humber suspension bridge site is expected to be announced soon by the Humber Bridge Board.

Meanwhile, a 518 feet concrete tower structure stands on the north bank waiting for a similar tower to arise on the south, so that specially-made wires may be slung across, spun into cables, and the world's longest single span suspension bridge of 4,626 feet between towers begin to take shape.

Steelwork for the bridge decking is being assembled on the Humber bank by British Bridge Builders. Many British specialist engineering companies are fulfilling contracts for components. The 100-year-old dream of a Humber estuary crossing would seem almost a reality at last.

Yet, supporters of the bridge project have never been more anxious, and its critics—there are many on Humberside—have never been more vociferous. The project is suffering acutely from the twin pressures of inflation and unexpected technical difficulties.



The completed north tower of the Humber Bridge.

Solid foundation

The builders have still not achieved a solid foundation through the mud, water, and clay of the south bank to enable construction of the second tower to begin—although they say they are now beating the problem.

The postponement, by years, of any realistic completion date for the bridge, is a factor which is now combining with galloping costs to give a very different appearance to the whole project from when it was launched in 1972.

The estimate then was that the bridge would cost £26m. at 1978 prices and that traffic would be flowing over it by the end of next year.

The reality now is that the bridge will finally cost between £50m. and £60m. and that any opening date can only be guess-work until the engineers and contractors have finally solved the foundations problems. In any event, the bridge is not likely to be finished before 1979.

When Freeman, Fox and Partners, the consulting engineer, put in its last progress report to the Humber Bridge Board in April it detailed labour and technical problems and rising costs and estimated that the final cost might be £43m.

That figure did not attempt to include future inflation or continuing problems on the site. The next Freeman Fox estimate is due shortly and will be higher.

Meanwhile John Howard and Co., the contractor awarded the £7.59m. deal to build the towers and the foundations in 1973, is experiencing cash flow difficulties on the contract has has turned to the Board for help.

The Board has turned to the Department of the Environment, for the Government is pledged to lend 75 per cent. of the capital (the remainder being raised on the open market).

The intention is that, as with the other two great post-war suspension bridges over the Forth and Severn estuaries, the capital will be serviced by revenue from tolls.

Toll revenue

John Howard has been troubled by artesian water washing and scouring at the foundations work on the south bank. The contractor is now down on the clay, but the foundations have to be taken 8 metres into the clay to provide a solid base for the big towers.

In a fresh attempt to complete the job, the foundation cassions have been weighted with 3,000 tons of steel ingots and another 4,000 tons weight is being applied by building up the surrounding concrete walls. The consulting engineers think that the extra 7,000 tons weight should do the trick.

If the bridge were simply to be a connecting link between Yorkshire to the north and Lincolnshire to the south, the cost and effort involved might by now be the subject of most serious questioning from many quarters. But in political terms it has become far more than that even before its completion.

The project went ahead as the redemption of a promise made by Mrs. Barbara Castle during a Hull by-election in the 1960s. When the Conservative Government reorganised local government in 1973 the new county of Humberside actually owed its creation to the promised appearance of the bridge in due course.

Patently, it would have been beyond a Minister for the Environment to create a new Humberside county with hopes of it being a centre for economic growth if the two halves of the new county were to remain permanently divided by a wide and treacherous estuary over which the only public transport was three aged paddle steamers.

Opponents of the bridge are, nevertheless, having another fling now as the word gets round about the size of the bridge bill and the technical difficulties in building it. They point to the fact that Hull's road communications have already been much improved with the rest of the country and that a motorway bridge further up the Humber at Goole will ease the situation further.

But cancellation of the Humber bridge now would cost as much as completion because all the main contracts have been let, according to Construction News.

The last word on the Humber bridge project has not been said yet—not by a long way—but this episode in the story can be concluded with a statement by the Department of the Environment: "There is no suggestion at all that work on the Humber Bridge will be suspended."

CRICKET — BY TREVOR BAILEY

Return of gloomy reality

AS ENGLAND limped uncertainly and unconvincingly on Saturday to 169—8 in reply to Australia's 522—9 declared, it was a return to those gloomy results of last winter and the Edgbaston Test of early summer.

England again lacked international calibre batsmen and were vulnerable to top-class pace bowling.

This was beginning to be overlooked, as a result of the second innings at Lords and because they had enjoyed the better of the Headingley clash. However, the deadness of those two pitches had reduced the effectiveness of the most formidable pace trio in the world. Although the Oval wicket was not fast, it did enable both Lillee and Thomson to lift the short ball unpleasantly.

Play on Saturday was interrupted on several occasions through bad light. This enabled the Australian captain, Ian Chappell, to employ only three bowlers, Lillee, Thomson and Walker, who remained relatively fresh.

As a result, the batsmen had no respite, and Walker moved the ball rather more than would have been possible in the hot first two days.

Top scorer

In a short pre-lunch session, Wood and Edrich withstood the opening assault of Lillee and Thomson without too much difficulty. But from then on the batting went into decline. Wood dragged an inswinger into his stumps, and though Edrich hung on grimly, he missed too often to suggest permanence.

The newcommers, Roope and Woolmer, confronted quality seam bowling from Walker and Thomson at his fastest. It proved too much for them. Steele, as usual, responded with determination, admirable good sense and was again top scorer. He was eventually yorked.

Greig, the one player with the technical equipment to dominate this fine Australian attack, produced a few handsome strokes before being brilliantly caught. Knott and Edmonds fell to Walker and Thomson but Old, living a charmed life, and Snow, who smote ten improbable runs off the final over, before bad light stopped play for the last time, are still together.

With three days remaining, it is difficult to see how England can avoid an overwhelming defeat. An extra day has been made available for this Test though unless the weather interferes, it now seems unlikely to be required.

TENNIS — BY JOHN BARRETT

Miss Wade carries U.K. hopes

NEW YORK, August 31.

THE WEATHER broke on Saturday to halt temporarily the army of enthusiastic spectators who have arrived here by day and night to watch the tennis. A record 61,988 fans attended the first four days of the meeting to make this the richest and best supported U.S. Open ever.

Floods delayed the start, even on the new clay courts from which the covers had to be removed carefully to prevent the water running back on to the playing surface.

When play began, Virginia Wade, in her unfamiliar role as second seed, showed none of the uncertainty which sometimes affects her on major occasions and carried British hopes into the third round with a confident 6—1; 6—3 win against the 22-year-old Russian girl Marina Kroshina.

Miss Wade will now play the U.S. junior champion, Beth Norton. She is the only home survivor among the women, since Sue Barker, looking desperately short of hard match play after her five-week lay-off because of a back injury, went down 6—0; 6—7; 6—4 to the 18-year-old South African girl Greer Stevens.

This was hardly the sort of performance which one hoped to see from our second singles player in the Wightman Cup encounter, due to be played in Cleveland at the end of next week. But worse was to follow. Playing a first-round doubles match yesterday, Miss Barker and Glynis Coles, a possible Wightman Cup pairing, lost the first six games to Sue Stap and Kristie Shaw, of America.

Fortunately there was a happy ending to this story for the British girls recovered to win 6—4 in the final set.

Russian loss

If the British were depressed, then the Russians were more so. After the loss of Miss Kroshina, they had to endure the shock of seeing their national champion and number 6 seed, Olga Morozova, beaten in a tense finish 4—6; 6—2; 7—6 by the American girl, Pam Teeguarden.

This is not the first time the Californian has embarrassed the committee here. Two years ago she upset Evonne Goolagong and, ironically, if these two both win their third-round matches, they will meet once again.

For the fourth successive night, the two floodlit matches were brief affairs involving straightforward victories by seeded players against lesser mortals. Bjorn Borg, of Sweden, the fifth seed, beat Australia's Ross Case 6—3; 6—3 with a whirlwind display of top spin hitting. Rod Laver, the 37-year-old maestro, was far too experienced for one of the lesser-known Americans, John Andrews, whom he beat 6—2; 6—3 as befits his status as the ninth seed.

Borg and Laver will now play one another in the fourth round—their fifth meeting during the course of their careers. With two wins each, this match should also go to the younger man.

One questions whether the experiment of holding evening play has been entirely successful. Poor choice of matches for the first four evenings has now produced only 16 sets for the 20[illegible] spectators.

Yesterday, a third match was added in an attempt to give the fans greater value for money.

The first of the seeds to advance to the quarter finals was the left-handed Czech girl, Martina Navratilova. The number [illegible] seed beat the ex-U.S. junior champion, Kathy May, 6—3; [illegible]

FOOTBALL — BY KEVIN RAFFERTY

Foul standards on and off pitch

MANCHESTER UNITED retained top place in the First Division on Saturday with their single goal win at Stoke, but their play was not the stuff of champions—unless the English game has sunk to new, brutally unimaginative depths.

Equally depressing was the performance of a good many of their supporters. "They say that we come from the jungle," said a West Indian train guard, "but that lot have not got the manners or the discipline to survive in the jungle."

As to the game, victory and defeat were decided by a chance deflection. Daly of Manchester shot, not particularly hard, from the edge of the penalty area. Shilton in the Stoke goal had the ball amply covered, but it struck Dodd of Stoke and diverted weakly to goal.

That apart, the football was not worth much attention. Neither side was afraid to push and shove to win the ball. An important Manchester ploy was to boot the ball downfield and hope that their men were faster in the chase or fitter in the shouldering and elbowing to goal.

Daly, Coppell or Macari sometimes showed a flutter of a run, but even a footballer of the tiniest brain would have realised that Stoke were leaving a lot of space on their left. Manchester largely ignored these gaps.

Stoke were slightly the more pleasing to watch, especially Conroy who worked hard and neatly. But they lack a striker. Greenhoff bustled about, but missed two open chances when left stranded with only Stepney to beat; he was rather like a tank without a gun. Stoke also lacked continuity, probably because Hudson spluttered to life rarely and seemed to be basking still in the joys of his summer holiday.

What was more worrying was the apparent institutionalisation of hooliganism and violence. Are footballers too brutalised or blinded by their remorseless search for rewards to deny their own contribution to what happens off the field?

Stoke was prepared for an invasion. There were a record 400 police on duty, with dogs and horses. Almost all city centre pubs were shut. Shopkeepers boarded their windows and those brave enough to stay open stood nervously at their doors.

No sooner were the Manchester supporters out of the station than they were herded and barked at by policemen telling them to move on, warning them not to step out of line or they would be put into detention. "I am telling you this for your own good," shouted an inspector.

One bunch ran off the well-trodden route to the ground and immediately a couple of police horses cantered to their side. Another group began to yell triumphal, though mindless, Lancashire ditties, and there was a police alsation yapping at their heels.

If any other people were involved there would be an outcry about the infringement by the police of basic civil rights. Y[illegible] in the heart of a group of fa[illegible] you get a frighteningly differe[illegible] perspective.

The air on Saturday was f[illegible] with bad language and brava[illegible] about smashing up Stoke [illegible] United lost. In one of the ha[illegible]ful of pubs that stayed op[illegible] glasses were smashed to t[illegible] street and a window was broke[illegible].

Fighting broke out behind goal soon after United scored. Altogether, about 50 f[illegible] were arrested before and dur[illegible] the match.

After the game I walk[illegible] behind some Manchester su[illegible]porters, no more than 15 ye[illegible] old, who chanted "One-nil, o[illegible] nil," and then spat in the fa[illegible] of Stoke fans. Only the fo[illegible]bearance of the Stoke bunch [illegible] the presence of police preve[illegible] trouble.

On the train to London, c[illegible]ing Manchester supporters [illegible] in the capital, violence [illegible]tinued. Police came t[illegible] Bletchley to deal with smashing of the buffet ca[illegible] an attack on a woman [illegible]dant. Some fans were carte[illegible]

The guard, who has w[illegible] with British Rail for 20 [illegible] was bitter. "I am getting f[illegible] with the goody-goodies [illegible] allow this sort of thing to [illegible]tinue.

"To-night, I was threat[illegible] with a lynching and had to [illegible] for my life. The next time [illegible] ask me to work on a Satu[illegible] football run, I shall refuse."

RACING — BY DOMINIC WIGAN

Follow Hills and Armstrong

BARRY HILLS, whose Lambourn establishment has won more races in the past two months than any stable in the country, with the exception of the Walwyn and Cecil teams, can bring his tally for the season to 68 with a first and last race double at Pontefract to-day.

Hills, who had the misfortune to lose that great filly Dibidale last week, seems likely to win the opener here, the six-furlong Junior Plate for two-year-olds through that remarkably tough and consistent filly *Nagwa*.

This strongly-made daughter of Tower Walk has gone from strength to strength this summer, finishing either first or second in her nine races since she ran a moderate fourth on her race course debut.

Her best performance came in defeat, when she went down in the Princess Margaret Stakes at Ascot on King George VI and Queen Elizabeth Diamond Day.

Nagwa failed by only a head to repel the strong late challenge from Outer Circle, who underlined the value of the form when outpacing Enchanted and Pennina at Ripon on Saturday.

With Partridge Brook and Fir's Hill both absentees, Nagwa, who shoulders the formidable burden of 9 stone 6 lb, seems likely to return to winning form at the main expense of "Squeak" Fairhurst's course and distance winner *Autumn Glow*.

PONTEFRACT
2.45—Nagwa
3.15—Africa Star
3.45—Yamadori
4.15—Misty Music
4.45—Glenpatrick
5.15—Edward's Hill**

WINDSOR
2.30—Ashabit
3.30—Cuxton
4.00—Laurentian Hills***
4.30—Ghita
5.30—Breathing Exercise*

SOUTHWELL
2.15—Stella's Pet
4.15—Spanish Lacquer

In the final event, the Fern Hill Stakes, Hills saddles his good-looking Weepers Boy 4-year-old, *Edward's Hill*. This useful handicapper, who achieved the third of his three juvenile successes on this track, has returned to his best after a disappointing start to the campaign and he should not be pressed to concede weight round.

Another trainer with a chance of a double is R[illegible] Armstrong of Newmarket who will be at Windsor, wh[illegible] expect his brother-in-law, Piggott, to supply him wi[illegible] winners in *Laurentian Hil[illegible]* *Breathing Exercise*.

The American-bred L[illegible]tian Hills, a brown son o[illegible] Rise, who ran several top races for Noel Murless [illegible] brought to race in England years ago, is reported to b[illegible] to his smart summer fo[illegible] last year. If this is the c[illegible] is unlikely to fail in the W[illegible] Hill Stakes.

Breathing Exercise, a b[illegible] creditable third of 12 b[illegible] Il Ruffino and Hightown S[illegible] at Kempton on his only pr[illegible] appearance, need to have only normal improveme[illegible] land Division II of the [illegible]holme Plate.

[illegible]

BBC 1

† Indicates programme in black and white.

11.25 a.m. Cricket: Fourth Test. England v. Australia. 1.30 p.m. Andy Pandy. 1.45 News. 2.15 Cricket: Fourth Test. England v. Australia. 4.23 Regional News (except London). 4.25 Play School. 4.50 Screen Test. 5.15 Here Come the Double Deckers. 5.40 Hector's House.
5.45 News.
6.00 Nationwide.
6.30 The Goodies.
7.20 Angels.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Goodbye Columbus," starring Richard Benjamin and Ali McGraw.
11.00 Tonight.
11.35 Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.30-1.45 p.m. Pili Pala. 6.00-6.50 Wales To-day. 6.50-7.20 Heddiw. 11.00-11.35 Arthur Lives! Address by Dewi-Prys Thomas on the Welsh architectural heritage. 11.35 News and Weather for Wales.

Scotland—6.00-6.50 p.m. Reporting Scotland. 11.00-11.30 The Voice in the Fingers followed by Scottish News Summary.

Northern Ireland—4.23-4.25 p.m. Northern Ireland News. 6.00-6.25 Scene Around Six. 6.25-6.50 Land 'n' Larder. 11.35 Northern Ireland News Headlines.

England—6.00-6.50 p.m. Look North (from Leeds, Manchester, Newcastle); Midlands To-day (from Birmingham); Look East (from Norwich); Points West (from Bristol); South To-day (from Southampton); Spotlight South West (from Plymouth).

BBC 2

Trades Union Congress. Live coverage from Blackpool at times to be announced.

7.05-7.55 a.m. Open University. 11.00 Play School. 4.30 p.m. Cricket: Fourth Test. England v. Australia.
6.40 Open University.
7.30 Newsday.
7.45 Look, Stranger.
8.10 High Chaparral.
9.00 Worldwide.
9.50 Centre Play.
10.35 Cricket highlights.
10.55 News Night.
11.10 Closedown: William Lucas reads "King John's Castle" by Thomas Kinsella.

LONDON

10.20 a.m. The Houndcats. 10.40 A Big Country. 11.15 Spiderman. 11.35 Galloping Gourmet. 12.00 Bush Boy. 12.30 p.m. Sally and Jake. 12.40 Hickory House. 1.00 First Report: News, FT Index. 1.20 Lunchtime Today. 1.30 Gambit. 2.00 Good Afternoon. 2.30 Looks Familiar. 3.00 Trades Union Congress: Coverage from Blackpool. 4.25 Clapperboard. 4.50 The Tomorrow People. 5.20 And Mother Makes Five.
5.50 News from ITN.
6.00 Today.
6.45 Whodunnit?
7.30 Coronation Street.
8.00 The Great Zaire River Expedition.
9.00 The Sweeney.
10.00 News.
10.30 Shaft.
11.55 Faith or Superstition.

All ITV Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 4.25 The Ro[illegible] 6.00 About Anglia. 10.30 The [illegible]nell Interviews—Anna Rae[illegible] Police Surgeon. 11.30 Antho[illegible]

ATV MIDLANDS

1.20 p.m. ATV Newsdesk. [illegible] the World in 80 Days. 6.00 [illegible] 10.30 Platform for To-day. [illegible] Place in Europe.

BORDER

†1.20 p.m. Border News. [illegible] call. 6.00 Border News and Lookaround. 6.15 Chopper One. 10.30 Bo[illegible] 11.15 The Baron. †12.10 a.m. Border News Summary.

CHANNEL

1.20 p.m. Channel Lunchtime News and What's On Where. 2.[illegible] 6.00 Channel News. 6.10 [illegible] Places. 10.30 A Place in Europe. [illegible] Here Comes the Future. [illegible] and Weather in French, followed by Channel Gazette.

GRAMPIAN

12.00 Auxiliary Coastguard. [illegible] Simply Metric. 12.35 Lunchtime [illegible] Grampian News Headlines. 6.[illegible] News. 6.10 Countrywise. [illegible] Surgeon. 11.00 Orson Welles' Great Mysteries. 1.30 Evening Prayers.

GRANADA

9.30 a.m. Sesame Street. 10.[illegible] 10.35 Galloping Gourmet. [illegible] Union Congress—coverage from Blackpool. 12.00 The Rovers. [illegible] Hammy Hamster's Adventures on the River Bank. 1.20 This is [illegible] 5.15 Take Kerr. 5.20 Wait Till Your Father Gets Home. 6.00 Granada Reports. †10.30 "The Scarface Mob," starring Robert Stack and Neville Brand. [illegible] a.m. Krakatoa.

HTV

1.20 p.m. Report West Headlines. [illegible] Report Wales Headlines. 2.00 [illegible] 6.01 Report West. 6.22 Report Wales. 10.30 A Place in Europe. †11.00 The Monday Film: "Intent to Kill," starring Richard Todd, Betsy Drake and Herbert Lom.

HTV CYMRU/WALES—As HTV General Service except: [illegible]

HTV WEST—As HTV General Service except: [illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn. 12.30 Johnnie Walker including 12.30 Newsbeat. 2.02 David Hamilton (S) (also on VHF). 5.00 Newsbeat. 5.15 John Peel with Top Gear. 7.00-12.33 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S) including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 9.02-11.30 Pete Murray's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.50 p.m. Sports Desk. 1.55 Good Listening (VHF). 2.02 David Hamilton (S) as Radio 1 but including on 1500m only (also 202m Scotland) 2.45, 3.45, 4.45 Sports Desk. 5.02 Waggoners' Walk. 5.17 Sam Costa (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Free Spin. 7.30 Sports Desk. 7.32 Alan Dell: The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with "The Best of Jazz" on records (S). 10.02 Sports Desk. 10.07 John Dunn (S) with Music Through Midnight and 12.00 News including U.S. Open Tennis. 12.31 a.m. News Summary.

RADIO 3 464m, Stereo & VHF

† Medium Wave only

[illegible]

RADIO 4

434m, 330m, 285m and VHF

6.20 a.m. News. 6.22 Farming [illegible] 6.40 Prayer for the Day. [illegible] including 6.50 VHF Regional [illegible] Weather, programme news. [illegible] and more of Today. 7.27 Sport [illegible] Today's Papers. 7.45 Thought for the Day. 7.50 VHF Regional [illegible] Weather, programme news [illegible] and more of Today: 8.27 Sport [illegible] 8.35 Today's Papers. 8.45 The [illegible] dow by Raymond Chandler. [illegible] News. 9.05 Start the Week with [illegible] Parkinson. 10.00 News. 10.[illegible] 10.30 Daily Service. 10.45 Mo[illegible] 11.00 News. 11.05 Down [illegible] 11.50 Announcements. 12.00 News. [illegible] p.m. You and Yours. 12.27 D[illegible] [illegible]

BBC Radio London

206m and 94.9 VHF

[illegible]

London Broadcasting

261m and 97.3 VHF

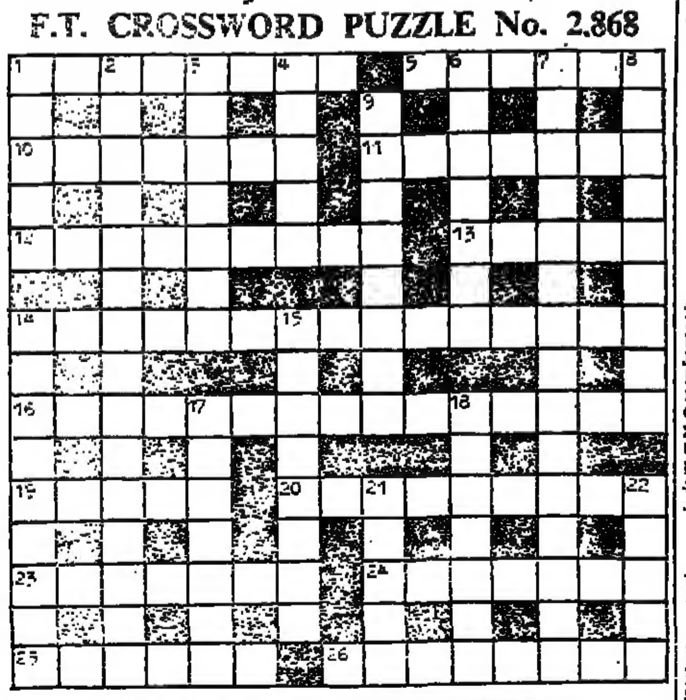
[illegible]

Capital Radio

194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 2,868



ACROSS

1 Choose fish for preserving (8)
5 A team's words for the audience (6)
10 Visible practical knowledge (7)
11 Hair used in mattresses (7)
12 One who replies makes engineers consider (9)
13 Very big in vernacular German (5)
14 Not winning the vital part but falling in love . . . (6, 4, 5)
16 . . . and another vital part given in reproof (5, 2, 4, 4)
19 Take in about 150 in showy splendour (5)
20 A bad dream—about a dark horse? (9)
23 Take away from record in motor . . . (7)
24 . . . and improves motors using right friends (7)
25 Translate to clarify (6)
26 Her calls for fish (8)

DOWN

1 Before the monk (5)
2 Plan causes plots to go astray in entrances (5, 1, 5, 4)
3 Straw hat seen in the farmyard (7)
4 Celebrated musical sound died (5)
6 Pinch most of the furtiveness (7)
7 Chaos in goods train as I run amok (15)
8 Think editor is under suspicion (9)
9 Operator accepts last of bait for fish (8)
14 One who views speech with insolence before lecturer (3-6)
15 He does wrong to make a bid about the finish (5)
17 What weavers do went wrong in the orient (7)
18 One who pays for lands (7)
21 Stuff with Cheddar? (5)
22 Moves gently and relieves (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأجل

Salzburg Festival—1

Don Carlo

by GILLIAN WIDDICOMBE

Salzburg's only new opera production this year is a sombre, noble interpretation of a drastically shortened version of Verdi's *Don Carlos*, excellently sung, and both darkly staged and powerfully conducted by Herbert von Karajan. It is Karajan's second Salzburg *Don Carlos* (or *Don Carlo*, as the opera should be called when sung in Italian); his first was staged, with Gründgens producing, in the Felsenreitschule in 1958. Following the example of the 1970 *Otello*, this new *Don Carlo* will presumably be repeated next year, and transferred to gramophone and film.

Karajan is discerning, and daring. His cast is a vocal feast (led by Freni, Domingo, Cappuccilli and Ghiaurov); but Karajan has eschewed a bel canto showcase in favour of the heavier, more ascetic and political overtones of the elaborate Schiller tragedy which served as Verdi's source and inspiration. Moreover, he ignores the obvious opportunity to apply his festival resources to the original Paris version, some of which is still unperformed. As one enters the Grosses Festspielhaus auditorium, privately pricing couture worthy of the Second Empire, with a ticket costing nearly £40, it is hard not to feel disappointed that Karajan has chosen less, not more. But his premise for avoiding musicological fashion seems to me keenly justified by the seriousness and majesty of both visual presentation and musical characterisation.

He cuts roughly 45 minutes from the *Don Carlo* established by Giulini and Visconti at Covent Garden, and subsequently considered the most fruitful and satisfactory version for recording. That version is, of course, a cut one. The English National has the longest European production so far, though a month or so ago the Munich Festival also extended a hand in what readers of this page may recognise as the Andrew Porter direction, adding to the five-act 1887 version the newly discovered Prelude and Introduction. When Ricordi publish the full, recently discovered original Paris version, *Don Carlos* will become so confusing that there will probably be a unanimous return to Verdi's own shortened 1884 version.

And this is Karajan's first decision, for he omits the Fontainbleau act entirely. The musical loss includes a ravishing duet for Elisabetta and Carlo, and the more effective version of Carlo's Fontainbleau aria. (This Verdi transposed into the cloister scene which opens the four-act 1884 revision; but he diluted the cavatina's melodic line without improving its tension.) The dramatic gain is not so simple. The Fontainbleau meeting was culled neither from history nor from Schiller; and Verdi's implausible invention of a scene in which hearts and fleur-de-lys flourish abruptly is an ingredient of his style which cannot be discarded without additional discussion.

To justify this cut, and several that occur later, we must look from another perspective. The root of *Don Carlo*'s unwieldiness, and elongation, lies not so much in its spectacular nature as in the fact that it combines three basic themes where two would serve. There is the romantic catastrophe of Elisabetta and Carlo; the several aspects of friendship, as deployed by that original Cross-bencher, Rodrigo, Marquis of Posa; and the conflicts and chilling cruelties personified by Philip II, the Flemish suffering, and the Inquisition. With hindsight, we may wish that Verdi had reduced the Rodrigo imbroglio in favour of a more interesting part for Carlo. (Carlos was a pathetic cripple and twit in history, but Schiller had already transformed him into a frustrated prince of some dignity.) Anyway, given this excessively complicated, and unfocused, libretto, Karajan clearly decides that not only is the Fontainbleau act unnecessary, but much of the later love music is unworthy for the same reason. Or to put it differently, that the high-minded original purpose of the *Don Carlos* opera is best served by clipping out those passages between Elisabetta and Carlo which suggest that Verdi read not only Schiller but also Oggi.

Thus in Act One he cuts some bars from Carlo's delirious declaration of love (from "O prodigio") in the convent garden, so that Carlo does not collapse with love-sickness, epilepsy or other embarrassing explanations. And then, in the last act, reduces the "lovers" farewell by roughly five minutes of solo reminiscence and rhapsodic duel in three savage cuts. The first of these is the central section of Elisabetta's "Tu che le vanità"; then the rather vulgar *marziale* section — which seems to me ideal for a revised *Aida* in which Amneris and Radames end up in each other's arms. And most impertinently of all, Karajan cuts lengthy adieus immediately before Philip interrupts with understandable suspicion. This has the advantage of removing that passionate embrace in which Carlo sobs "Addio, mia madre" and Elisabetta croons "Mio figlio, addio"; but the farewell formula, so close to *Ballo in Maschera*, is no longer Verdi's. Indeed, the effect of all these cuts is to remove *Don Carlo* as far as possible away from the Verdi of Ballo, by chipping out the most blatant expressions of romantic vulgarity. Which also makes the relationship between Elisabetta and Carlo seem far more tentative, sad and lonely than Verdi envisaged.

Karajan's other cuts are obviously designed to keep things moving. He trims all repetitive stanzas from first act arias. These are Elisabetta's romanza "Non pianger, mia compagna"; Rodrigo's "Carlo ch'è sol il nostro amore"; Eboli's veil song; and the opening chorus "Sotto ai folti." Halving the Veil Song is silly; the song's playful irony is lost without the second verse in which the king discovers that the queen is the veiled beauty he is ardently pursuing—*Ballo in Maschera*, again!

The reduction of romantic interest is thoroughly in keeping with Karajan's straightforward, even static staging, and by his casting. Ghiaurov's Philip is the towering personality, a portrait based not on the tetchy, unwell Spanish king at the time of this third marriage, but on the fierce, cruel ruler implied by Verdi's strong phrases, which Ghiaurov sang (in the third performance) with black if not beautiful tone, and sometimes rough inflection. The Inquisitor was feebly sung by Ghorghe Crasnaru, diminishing the dramatic thrust of their dialogue, and suggesting an agnostical dislike of the Inquisition.

Domingo's Carlo and Cappuccilli's Rodrigo make an excellent pair. Domingo is surely the only Verdi tenor able to combine a dark, vibrant grain with a pure, elegant line; whereas Cappuccilli's endless breath control enables Karajan to take incredible slow-motion tempos for the Prison Scene. Again Karajan avoids all suggestion of swagger, which is dramatically admirable; but his extension of a typical Andante sostenuto, at crotchet =60, to a Lento ghosting along at little more than crotchet=40, is musically less defensible. The same slow tempo serves for what remains of the last act farewell, less successfully.

Karajan's choice of Miss Freni as Elisabetta, rather than the more usual dramatic soprano, gives a young, vulnerable queen with natural femininity. There are no longing glances, nor sentimental gestures, in her acting. She and Carlo are sad, lonely, isolated figures, locked in the cold etiquette of this most rigid royal discipline; and only in musical line, in the handling of cantabile phrase and legato expression, do they betray their feelings. During the last few years, Freni has strengthened her light, soubrettish soprano to match perfectly Karajan's smooth, moulded tone; there is never a coarse or thick sound, but the voice has grown in scale so that she can ride Elisabetta's large phrases ("Tu che le vanità," the best example) with firm, swelling tone, and float high Bs without strain. Christa Ludwig withdrew as Eboli after the first performance, and was inadequately replaced by Eva Randova, who sang sharp but won a starry ovation.

As usual, Karajan sets much emphasis on orchestral participation. With the Vienna Philharmonic in untiring form, the detail was wonderful. Dark, rather fierce trumpet tone, making a distinct contrast with melancholy pages scored for horns; a wealth of pretty woodwind figuration in the convent garden; and splendid variety of attack in the timpani playing, harsh and brittle in ceremonial scenes or moments of climax, gentle as a feather at other times. Best of all, the infinite range of string phrasing, with perfect staccato articulation and cantabile doubling. Verdi—who prized correct rhythmic articulation in this opera more than any other—would have thought himself in heaven.

The costumes, by Georges Wakhevitch, considerably enhance the formality of Karajan's conception. Elisabetta and her ladies wear fabulous gowns, stiff with precious stones, but softened with hanging sleeves. The men are dressed in the plain style of a Sanchez Coello portrait, rather than the more familiar, flattering (and anachronistic) Velasquez: severe, tight doublets, and bombast breeches, mainly black. Two details need attention before filming. The men's ruffs look like paper frills on plump turkies (the correct high collar would probably strangle the tenor, but ruffs should flatter, and lace looks better): Philip's white hair is much too mangy, and Elisabetta's wig is Bond Street modern.

There may be some symbolic significance in Scheider-Siemssen's set—a huge V or triangle which dominates the stage in the form of a converging staircase. In practical terms, it fills the stage proportions—like a dachsund, half a dog high and two dogs long—sensibly; also enables fast scene changes with simple iron-work railings, and provides formal, grand entrances for royal characters. The auto-da-fé is staged so that the audience feels itself part of the crowd, with soldiers in silhouette and the crowd pressed to the side. The procession is not perfect, but the crucial characters are placed so that they can sing out naturally from forward positions. Heretics are burnt, not in the upstage distance, but under the central staircase, which suggests they may end up in the kitchen.

The staging of the final scene is interesting. Karajan does not go the whole hog and change Verdi's implausible, muddled ending back to Schiller—in which Philip hands his son over to the Inquisition. Rather he plunges it in such murky gloom that unless one is sitting in the front row, much is left to the imagination. So far as I could see, Carlo is released by the guards, and drawn slowly as though by supernatural force towards the rather indistinct figure of Carlo V in the tomb. It's a good compromise, and of course Karajan overwhelms it by releasing the orchestra. But I still think that the best ending is that in which Carlo V is portrayed not as a monk but as a praying figure such as that in his Escorial mausoleum, so that Carlo is saved by a fortuitous, superstitious illusion, not by an improbable pantomime. There's plenty of evidence that even after the opera was staged, Verdi himself did not have a proper solution.

Left: Mirella Freni. Above: Placido Domingo and Piero Cappuccilli.

Sheffield Crucible

Lay Off

by MICHAEL COVENEY

Sheffield was a stop-off date for the 7:84 Theatre Company en route to Edinburgh and Dunbarton (next week) and East Kilbride, Airdrie and Alloa (the following week). The show, uncompromisingly conceived along theoretical socialist lines, is a sort of didactic cabaret that relates the de-personalisation of the country's work force to the unstoppable progress of the huge multi-national corporations. The take-over of small firms and businesses is acted out in a series of sharp, often brilliantly performed sketches, and then capped with a devastating fact or two. In the take-over merger boom of 1967-68, 5,000 British firms, we are told, were absorbed. The creation of GEC, we are told, involved vast redundancy measures affecting 64,000 people.

The concern of writer John McGrath and his company is not to investigate whether or not these measures have resulted in general economic good or have contributed in any positive way to our balance of payments. It is the trend that is despised. "Utopia for a multi-national company would be a world government." And membership of the EEC is considered yet another conspiracy in that direction. We are reminded of Harold Wilson's scornful words in 1970, describing the EEC as an organisation designed to favour the mega-companies. And the 7:84 Company pursue their case to the realms of hypothetical fantasy in a world where everyone is a consumer and no conflict exists.

Lay Off is very much a piece for a receptive environment. It is expertly constructed and argued and charmingly performed by a young company whom only the most cynically inclined could accuse of righteousness or complacency. Of all the touring groups who dabble in political agitprop and the rallying of political sympathisers, 7:84 are by far the most accomplished. This is primarily because they boast the outstanding writing skill of Mr. McGrath and the musical talents of a fine group under the leadership of Mark Brown. Their message is raw and undisguised. But it is argued and it is presented with a regard for history. Their first date in Scotland is at the Edinburgh Trades Council on Thursday.

The Entertainment Guide is on Page 33

A National 'Playboy'

The National Theatre is to stage *The Playboy of the Western World*, the best-known of J. M. Synge's six plays. It has not been seen in London for 15 years. The production will have its first night at the Old Vic on Wednesday, October 29.

Susan Fleetwood is to make her NT debut as Pegeen; Stephen Rea will play Christy Mahon; J. G. Devlin, old Mahon; and Jim Norton Shaun Keogh. The director is Bill Bryden and the settings are by Geoffrey Scott, costumes by Deirdre Clancy. Music is by the Irish band, The Chieftains.

The demand for seats for the return performances of Tony Harrison's version of Moliere's *The Misanthrope*, due to end on August 28, has been so great that John Dexter's production is now to come back to the Old Vic for a further 17 performances in November.

Extra performances in Regent's Park

There will be an extra production at the Open Air Theatre, carrying the season into the first week of September. This will be a presentation for one week only of *Sweet Mr. Shakespeare*, an entertainment of words and music devised and directed by Richard Digby Day. This will open to-night.

On Sunday, September 7, there will be a gala performance at 8 p.m. with proceeds going to the fund for the new auditorium.

Sheffield Crucible Studio

Jones v Jones

by MICHAEL COVENEY

David Henry Wilson's tightly written play paints a depressing picture of a young marriage on the point of disintegration. It is a wet Sunday in the suburbs. Jane is fast approaching a state of nervous hysteria, jabbering on about wanting to see the end of the world, contemptuously dismissive of Bill's bumbling attempt to raise enthusiasm for a caravan holiday in North Wales. Every day is a Sunday for her. The circumstances of the marriage are convincingly sketched in. Jane's mother died five years ago. She let Bill marry her only because she was lonely.

Bill is a cumbersome and boring creature, yet he too has emotional problems that he hugs quietly to himself. At one point, Jane storms out to jump off a bridge (only to swim to shore and return home) while Bill releases his pent-up feelings in a series of random telephone calls. Jane refuses to have children. She derides Bill for his lack of surprise and intuition ("I didn't say I was clever—I said I was cleverer than you"), delivers askance commentary on his sexual habits (unspecified, beyond reference to "the mouth business") and scornfully dismisses any likelihood that his career will ever attain to managerial level.

Mr. Wilson makes a serious mistake, however, by sullying this accurate and poignant exposition of married non-bliss with crude, melodramatic developments involving the kitchen knife and bondage in the lounge. The probabilities of these developments are there from the beginning, planted with heavy-handed playfulness along the lines of "What if I stabbed you?", "I can't gag you for ever" and "I wish something exciting would happen." Nothing in the play is as effective and memorable as the low-key revelation of Bill's twisted loneliness. And nothing in the sensational progression of the plot is as profound as the wretched confession by Bill of his dependence on the female pet: "I can only hold my head up in the street because I've got a beautiful wife."

Jane, quite rightly, wants out, for the bondage of marriage as a convenient alternative to loneliness has slackened dangerously. It would have strengthened the play, too, had we been led to believe that Jane was, within herself, more clear as to what she considers important in life. The nearest we come on this is her alleged preference for the South of France to North Wales, an empty protestation that momentarily gives rise to the suspicion that she must be as dumb as her husband.

Still, the play was received with great attentiveness by a packed audience on Saturday night, a sure sign that Mr. Wilson was on to something of real interest and general concern. Bridget Brice and David Ellison give sound performances under the careful direction of Peter James.

Albert Hall/Radio 3

Tippett's Piano Concerto

by GILLIAN WIDDICOMBE

Listening to Thursday's Prom broadcast of Tippett's Piano Concerto, brightly played by Paul Crossley and the London Symphony, conducted by the composer, the thought lodged in my mind that this is the best of all British piano concertos. The thought may be one of enthusiasm after a long holiday, or ignorance of a British masterpiece whose charms have so far escaped me; but since there is nothing in this genre by Elgar, and Purcell's deadly chill preceded the invention of the piano, only the concertos by Britten, Walton, Bliss, Ireland, Benjamin, Bax, Howells and Vaughan Williams (subsequently arranged for two pianos, but still not successful) can enter the competition. None holds a candle. Who knows why? Harriet Cohen?

Tippett's concerto is elegant, poetic, deft, and lightly rhapsodical. He seldom makes use of its full scoring, reserving double woodwind and brass for a few special moments, usually to present strong rhythmic character. For the most part, the piano trickles along in that sparkly, non-stop figuration characteristic of Tippett's good humoured, 1950-ish vein, with an occasional hint of Gershwin. The soloist's role is that of a pretty girl chattering, or of a concerto style certainly classical, probably Mozartian.

The message of each movement is clear and original: the first, a flowing Allegro; the second a winsome Lento, rippling and tranquil; and finally an energetic, babbling Vivace. But the interest is less in the lyrical lines than in the well-cut proportions and transparent orchestration. Celesta artfully shadows piano in the first movement cadenza; solo woodwind copy and trail, paying languid melodic attention; and the massed strings are fastidiously saved for impressive gestures, with block writing. In short, the concerto's success lies in its lack of padding.

And its success was skilfully projected on Thursday by Paul Crossley's clean, agile playing. Crossley's familiarity with the delicacy and flow of Tippett's rhythmic and melodic characterisation enabled him to put the performance together like a perfect conversation in which ideas glide, expand and change. Tippett is not always the most accurate conductor of his own music; but the orchestral performance was safely chained to Crossley's playing, and throughout was nicely balanced and smooth if plain.

...he Maltings, Snape

Curlew River

by MAX LOPPERT

...n Friday and Saturday, the ...glish Opera Group revived its ...owned production of *Curlew* ...er. While the first of Ben...min Britten's three Parables ... Church Performance has ...nfortably held its own in per...rmance since 1964, a revival ...h as the present is greatly ...rthwhile. It afforded, for one ...ng, the chance to set in an ...year perspective one of the ...dest and most original deve...ments in a career marked at ...ry turn by inventive decision. ...d though it may be far too ...ly to fix *Curlew River* per...nently in the firmament of ...tten's works, after Friday's ...formance, serene, beautiful ... touching, it is difficult not ...onsider the work, along with ...orchestral song-cycles and *Turn of The Screw*, a peak ...is creative output.

...tten is, in some respects, ...roblematic composer; and ...ew River, for all its obvious ...vative importance in recon...g East and West, Noh ...re and Mystery Play, ritual music drama, a problematic .... At the start, as monks acolytes swayed down the ... of the hall chanting the ...song hymn that is the ...cal source of all that ...ws, the effect was oddly ...ating and precious (empha... perhaps, by the strongly ...ar ambience of the Malt.... The graft of Christian ...l on to theatrical modes and ...ers borrowed from another ...ral context is an act of ...vering imaginative correla... that, plausible and remark... though it may be, depends ...a precarious balance of ...athies and background ...ed between composer and ...ator—much like the ...rtation, in the *War* ...iem, of the Owen poems; ...similarly tricky.

"Surely," the composer asks in his programme note, "the Medieval Religious Drama in England would have had a comparable setting—an all-male cast of ecclesiastics — a simple austere staging in a church—a very limited instrumental accompaniment—a moral story?" But on Friday, we were not in church, nor in medieval times; the fabric and the trappings of Christian theology are no longer available, in a deep or meaningful sense, to all in the audience; the gestures taken from Christian celebration had to be accepted as belonging, like those in *Parsifal*, to the domain of Art and Entertainment, rather than to any postulated congregation.

Then, as masks were donned and the fable unfolded, doubts began to fade. If a personal recreation of Christian ritual was necessary as a catalyst in sparking Britten's dramatic imagination, the result was a conflagration. Eleven years on, with the more striking music theatre aspects of the work absorbed and familiarised, the extraordinary qualities in *Curlew River* are seen to be the unbroken tautness and concentration of its purely musical invention, and a fund of dramatic power that attains to the grandly tragic as seldom elsewhere in Britten's creations for the stage. Boyhood innocence destroyed, guilt explored and absolved—to these twin themes Britten has returned with an obsessive fidelity that recalls Puccini and his heroines suffering steadfast unto death (Britten will not relish the comparison: yet how eagerly one looks forward to the Britten "psycho-biography" that some Mosco Carner of the far-distant future will one day embark on!)

The mask-image of ritual is the creative device that has focused his closest attention on these themes without the obfuscation of externally applied symbolism or special pleading such as mar, in their different ways, *Peter Grimes* and *Billy Budd*. The climactic miracle in *Curlew River* is by no means wrapped in musical syrup, as that in *Suor Angelica*: yet the sound and the impact of the boy-spirit's triadic benediction, heard against the backdrop of all the lean, linear, monodic music that has gone before it, is a moment of intensely felt, heavily loaded emotional release—and of profoundly moving power—that may be paralled to similar moments of emotional wallop in the otherwise utterly different Puccini.

From the original 1964 cast, only Bryan Drake's sonorous Traveller and Peter Pears' Madwoman remained—the latter arguably the greatest single creation in a long and splendid roll-call of dramatic characterisations; though the wide stretch flap and cry of the vocal line are now troublesome difficulty was never shirked. Michael Follis was the impressive Abbot, in Thomas Hemsley's incisive Ferryman, so intelligently matching word and tone to the horn that partners his utterances, there was a particular illumination of the close, organic relationship between each actor and his related instrument, as dramatically apposite as in Janacek.

Indeed, the playing of all the instrumentalists under the direction of Steuart Bedford at the organ, was a feast—past praise for Britten's instinctive sympathy for the play of words on the human voice has tended to undervalue a like instinct for the peculiar dramatic character of certain instrumental timbres. The bird-flutters of the flute, wheeling about the Madwoman and her plaints, the trudging, sawing double-bass under the Traveller's tale—sounds such as these, once heard, are imprinted surely for life. It was rather fortunate that the pinched and squeaky vocal emanation of the boy's spirit could not be easily identified in the cast list. Colin Graham's production is too well and justly admired in print to call for further comment: it was recreated with dexterity and point. A wonderfully welcome revival.

Handel Opera Society's two-week season at Sadler's Wells Theatre

The Handel Opera Society, which celebrates its 21st Season this year, will be at Sadler's Wells Theatre for a two-week visit from October 22 to November 1. The Society will present two new productions during this season, *Alcina* (October 23, 25, 29, 31) and *Semele* (October 24, 28, 30, November 1).

The cast of *Alcina* includes Hannah Francis Eiddwen Harrhy, Della Jones, James Bowman, David Cusick and Bryan Drake. The conductor is Charles Farncombe.

Semele, which is also conducted by Charles Farncombe, is sung by Helen Attfield, Teresa Cahill, Dinah Harris, Patricia Kern, Joy Roberts, Stuart Kale, John Angelo Messana, John Noble and Michael Rippon.

The orchestra for the season is the English Chamber Orchestra and the chorus the Handel Opera Society Chorus.

HOME NEWS

Left-wing poised to gain control of Labour NEC

BY RICHARD EVANS, LOBBY CORRESPONDENT

NOMINATIONS FOR Labour's National Executive Committee show that the party is heading for a critical power struggle between moderates and the Left-wing that is likely to result in domination of the policy-making body by militants.

The nominations, contained in the agenda for this year's Labour Party conference, published to-day, indicate that the Left is poised to take decisive control of the executive and end the moderates' shaky balance of power that has been eroded steadily in recent years.

The struggle, which will be decided at the party's Blackpool conference from September 29 to October 3, is taking place against a background of increasingly bitter conflict between the wings of the Labour Movement.

Moderates are becoming alarmed at the insistent efforts of some local constituency militants to get rid of their MPs.

So far, only the cases of Mr. Reg Prentice at Newham North East and Mr. Frank Tomney at Hammersmith North have reached an advanced stage. But over a dozen Labour MPs are in some degree of conflict with sections of their local party.

The most outspoken Minister, apart from Mr. Prentice, has been Mr. James Callaghan, who has followed up his resignation threat to a small group of militants in his Cardiff constituency with a sharp rebuke to the party executive for its attitude towards the Labour Government.

In a letter to the NEC, published in the party's annual report yesterday, he accuses members of "leaping on every bandwagon that happens to be conveniently going by."

He says that motions which cast doubt on the good faith and principles of Labour Ministers are likely to create cynicism among Socialists.

Mr. Callaghan, Foreign and Commonwealth Secretary, and a member of the executive, adds that the NEC must sometimes be willing to defend the Government and explain facts to the movement at large.

His criticism will not be well received by the Left, who will again try to unseat him as Party Treasurer this year. His rival candidate is Tribune MP Mr. Norman Atkinson.

Two moderates, Mr. John Cartwright of the Co-operative organisations, and Mr. Sidney Vincent of the National Union of Mineworkers, have lost their NEC nominations to two Left-wingers, Mr. Richard Balfe and Mr. Emlyn Williams, the South Wales miners' leader.

In the constituency section, Mr. Denis Healey, Chancellor of the Exchequer, is under strong threat from Mr. Eric Heffer, the Left-wing MP for Liverpool Walton. His martyr-like stance against the Government's economic policies could strengthen his chance of gaining a seat at Mr. Healey's expense.

Of the 24 nominations for the seven seats in the constituency section, 15 are from members of the Tribune group or from those sympathetic to its aims.

The agenda confirms that the Left-wing is going to be critical of the Government over a wide range of issues.

The overwhelming impression given by the amendments sent in by local parties and trade unions is of a grass-roots demand for a further move to the Left and of deep resentment that the Government has been blown off-course by the economic situation.

There are further calls for a Labour Government to be made more accountable to the party conference, and for the party leader to be elected by conference rather than by the Parliamentary Labour Party.

Some amendments support the Government's proposals for curbing inflation, but more insist that the economic policies are unfair to the working-class and call for more spending on housing and the social services.

There was little reaction in Labour Party circles yesterday to reports that a secret organisation of Trotskyists was operating inside the party.

Officials said that a wide range of political opinion flourished within the party, but if it was discovered that a separate group was operating with its own organisation, it would be liable to expulsion under the rules.

Mr. William Rodgers, Minister of State for Defence and a leading party moderate, said on BBC radio that the Labour Party should be much more careful about admitting new members without fully checking their background.

It should also ensure that those who held office should come from the mainstream of the party, whether Left or Right.

More Home News Pages 28 & 32

Management will brief MPs' group

Financial Times Reporter

THE BRITISH Institute of Management is to provide regular information to MPs on management topics. A BIM committee will keep in close contact with the newly formed all-party Parliamentary group on management affairs.

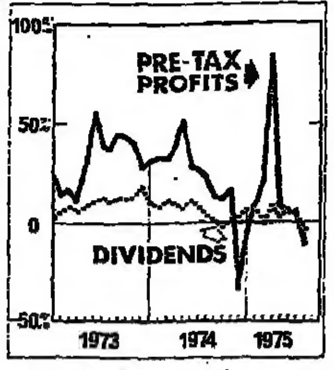
Mr. Eric Moonman, Labour MP for Basildon, and a former member of the BIM staff, is chairman of the new group. The group's first objective will be to interpret the role of management to Parliament and to press for consultation with professional management's representatives as a separate entity from the employers' organisations.

Dividends, profits down in August

By Ron Putland

OUT OF SEVEN leading industrial companies to issue full reports in August, only one showed a pre-tax profits increase over the same period a year ago. Overall, this resulted in a shortfall in pre-tax profits last month of 11.3 per cent. compared with August, 1974.

Rothmans International reported the biggest setback with pre-



tax profits down by 41 per cent., while Redland sustained a decline of 21.4 per cent. Coats Patons, Thorn Electrical and Distillers reported shortfalls of between 11.7 per cent. and 12.3 per cent., while Cavenham's pre-tax profits were adrift by 8.3 per cent.

This is further evidence that inflation has begun to bite deeply into industrial profitability, although the lower interest rates prevailing over the past few months will help to offset partially the rising overheads.

On the credit side, GEC came through with a 14.9 per cent. increase in pre-tax profits.

Dividends also suffered. Overall, shareholders received 3.8 per cent. less in dividends than during the same month a year ago. Coats Patons paid only a nominal 0.9p net dividend, down 55.6 per cent. on the previous year's payment. Rothmans held its payment at the same level, but increases of between 5.1 per cent. and 8.7 per cent. were made by Redland, GEC, Thorn Electrical, Distillers and Cavenham.

Japanese may peg car sales

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

DATSUN AND Toyota, the two main companies behind the rapid Japanese penetration of the British car market, intend to peg their sales next year.

Datsun will keep unit sales in the U.K. at about 60,000 cars, the figure at which it has stood for two years and which it is intending to repeat this year. Toyota will aim for sales of 20,000, slightly below its target of 21,000 this year.

Of the two junior Japanese importers, Mazda is looking next year for only a very marginal increase—of 500 cars on its expected sales this year of 9,500, which will be about the same as last year. Honda is aiming for 12,000 cars next year compared with a probable 10,000 this year, but it could probably sell a good few more because its small Civic 1200 model has been doing extremely well this year.

These plans raise the question of whether the Japanese manufacturers now see it as politic to take a less aggressive approach to sales in the U.K. in response to pressure from the British industry and trade unions.

Voluntary

Up to now the Japanese manufacturing companies have firmly denied suggestions that they would be prepared to impose voluntary restrictions on their exports to the U.K. But de facto they seem to be doing just this.

A number of factors seem to be behind the developments. There have been signs recently that both Toyota and Datsun are more interested in Middle-Eastern, Indonesian and even other European markets than in Britain.

Also, after the stringent cut in production last year, they have sometimes not had sufficient production to supply some lines to their overseas companies.

At the same time, the British franchise operators appear to want to cool down the temperature after the criticism they have attracted since the British industry filed an anti-dumping claim against Japanese cars three months ago.

Both Mazda and Honda openly admit that a period of consolidation rather than expansion would be helpful, "in deference to the British motor industry," as Honda puts it.

Breakthrough

The question now is whether the Japanese companies will hold to or exceed their targets for this year, having done so well in earlier months.

The latest provisional indications for the August figures, which will be collated soon, suggest that imports may have broken through the 40 per cent. sales barrier. Of those, out of total registrations of about 150,000, the Japanese share may be as high as 13 per cent.

This month looks like being another reasonable month for imports, as private, as opposed to "fleet," customers still come in to get the early "P" registrations.

From then on, however, the industry is expecting a bleak spell and companies such as Datsun will presumably be making sharp cuts.

Next year, according to the most recent estimates, the total market is expected to be even lower at 1,050,000 against 1,140,000 this year.

Hence, if the Japanese importers sell as many units as this year, their share will increase slightly, although the Society of Motor Manufacturers and Traders believes that total import penetration will remain the same as this year at about 34 per cent.

Spring Budget 'could slice indirect tax by £500m.'

BY KENNETH GOODING

THE POSSIBILITY of a "modestly reflationary" Budget next spring, involving cuts in indirect taxation of £500m. to £1bn., is put forward by stockbrokers Phillips and Drew in their latest economic forecasts.

But it would almost certainly be inappropriate to reflate before the spring of 1976, "since such action would presume the success of the wage policy, a presumption foreign holders of sterling probably would not share."

The brokers themselves believe the £6 limit proposals will gain majority acceptance at the TUC conference and the Labour Party Conference in October.

Although there may be isolated breaches of the limit during the winter wage-round, they believe the labour force generally will support the proposals in the face of mounting unemployment. (The Government will find it difficult to avoid 1.25m. to 1.5m. unemployed, on a seasonally adjusted basis, in the summer of next year, the brokers state).

"With the wage policy possibly causing few problems, increasing attention will be focused on the balance of payments. From a forecasting standpoint, it is unfortunate that policy changes now principally depend on this item, since it is extremely difficult to predict."

However, the severe downturn in consumers' real spending—they forecast a fall of 2 per cent. on average to mid-1976—would help the balance of payments by depressing the import bill. The gradual upturn in world trade should benefit exports.

Rising prices

"On the other hand, re-stocking at a time of rising commodity prices will have an adverse effect."

The brokers find it hard to see an overall balance of payments surplus, but the external position, they feel, may have shown sufficient improvement compared with 1974 (from £3.8bn. to £1.2bn. at an annual rate) to permit some measure of reflation at the end of the wage-round.

Nervousness in the exchange markets will put the economy in a delicate situation for the rest of the year. One month's bad trade figures could precipitate Government action to tighten monetary policy.

"In any case, we expect an announcement regarding cash limits on public spending which will imply a reduction in volume terms below previous projections for 1976-77."

This would set the scene for a slightly reflationary Budget. By inducing some recovery in real consumption from mid-1976, however, this might prevent the balance of payments improving on 1975's out-turn.

Real incomes

The brokers expect total wages and salaries to rise 13 per cent. for 1976 as a whole against 14 per cent. for wage rates. Retail prices should rise 13 per cent. through next year and should still be running at 15 to 16 per cent. by mid-year.

Real disposable incomes will fall by 3 per cent. over the next 12 months, the brokers forecast.

The cost of basic fuel and materials could rise by an average of 8.5 per cent. this calendar year, accelerating to 18 per cent. in 1976. Wholesale prices can be expected to go up 24 per cent. this year and 15 per cent. next year.

Manufacturing investment may fall by 10 per cent. this year followed by a pronounced contraction next year.

Jetsave link for flights to Canada

By Michael Donne, Aerospace Correspondent

JETSAVE, the U.K. low-fare charter flights organiser, is linking with Canadian Pacific to run a programme of cheap flights between the U.K. and Canada next year.

Jetsave announced over the week-end a £2.8m. ($6m.) deal with Canadian Pacific Air for 250 transatlantic flights, starting in April. Fares will start at £99 return.

The flights will be between London, Manchester and Prestwick, and Toronto, Montreal, Calgary, Vancouver and Halifax.

Mr. Reg Pycroft, Jetsave's managing director, said that the number of people visiting Canada was rising at more than 10 per cent. a year, with the Advanced Booking Charter concept playing a big part in this growth.

Since the start of ABC fares in 1973, Jetsave has carried more than 100,000 passengers between the U.K. and Canada. This year it is lifting 100,000 people alone between the U.K. and Canada, the U.S., Caribbean and Africa.

● British Midland Airways has won three orders worth more than £1.5m. for its leasing service which provides aircraft and crews to airlines needing instant capacity.

The new contracts bring the total value of orders announced since April 1 to more than £5m. The deals are with Malaysian Airlines Systems, Cyprus Airways and Air Anglia.

Dowty chief given rise of £15,000

By Stewart Fleming

THE SALARY of Sir George Dowty, the 74-year-old chairman and founder of Cheltenham based engineers Dowty Group was increased last year from £20,250 to £35,250, it is reported in the company's accounts for the year ending in March.

The company said yesterday of the rise—which is about 7[illegible] per cent.—that the decision had been taken because the chairman's salary was "embarrassingly low. It must be 15 or 2[illegible] years since he last had an increase so his salary is catching up with inflation."

Dowty, whose sales last year rose to £95m. on which it earned a pre-tax profit of £9.5m., is [illegible] important supplier of hydra[illegible] pit-props to the National [illegible] Board and also supplies the [illegible]tion industry with hydr[illegible] equipment.

BR Hollyhea[d] expansion starts soon

MODERNISATION at Holyh[ead], the British Rail Sealink port [for] Dublin, announced in A[illegible], begins this month. It is due t[o be] ready in time for a 9,000 [ton] passenger-vehicle ferry, "rece[ntly] ordered" by Sealink, to start [sail]ings in spring 1977.

The proposed terminal, cos[ting] £1.6m., is part of a comprehen[sive] redevelopment scheme to up[grade] passenger and vehicle facilitie[s at] Holyhead, says BR. It include[s a] passenger terminal, a recep[tion] area and car terminal [illegible] lounge, bar, toilets and pu[blic] telephones; and a freight [illegible] clearance terminal with overn[ight] accommodation, self-cate[ring] arrangements, television lo[unge] and showers. The inner harb[our] will be dredged.

The passenger terminal wi[ll be] built on the site of the pre[sent] building, which will [be] demolished. No. 1 Platform [on] which it stands, will be wide[ned].

COURTAULDS £[illegible] PLANT REOPEN[S]

The biggest weaving she[d in] Western Europe—Courtauld's plant at Skelmersdale New [Town], Lancashire—reopens to-day [after] a two-week closure because o[f] trade recession.

Mr. John Billing, produ[ction] director, has written to the workers that cost-saving me[asures] must be pursued urgently.

COMMODITIES IND[EX]

The Financial Times [Com]modities Index for Augus[t] should read 178.73 and no[t as] stated previously.

THE FINANCIAL TIMES, published dail[y except] Sundays and holidays. U.S. subscri[ption] $190.94 (air freight) $[illegible] per annum. Second class postage paid a[t New] York, N.Y.

£3m. oilrig orders for Dorman Long

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE BRITISH STEEL Corporation's subsidiary, Redpath Dorman Long (North Sea), has won two contracts, together worth £3m., for construction of oil-platform deck structures.

Phillips Petroleum of Norway has ordered a modular support structure for the Edda Field in the Norwegian sector of the North Sea; and Occidental of Scotland Inc. has ordered a deck structure for its Claymore Field platform "A" in the U.K. sector.

For Phillips about 2,600 tonnes of steel will be fabricated, assembled and loaded out in sections on to a barge from RDL North Sea's quay at Methil, Fife, next summer.

About 900 tonnes will be fabricated for Occidental in one section for loading-out on to a barge next spring.

Fabrication and assembly of the structures will run parallel with the construction of twin gas jackets for Amoco, an order which RDL North Sea was awarded in April.

The Corporation's tubes division is cutting the price of a range of welded pipe by up to 16.5 per cent., a move which seems designed to bring it more into line with continental prices and to head off a threat of more imports. The welded pipe is in the 6.625 in.-to-18 in. range.

"Only recently has welded pipe in this size range been available in commercial quantities, and the introduction of the new price reflects the policy of the tubes division to offer this range of welded pipe as a permanent alternative to large seamless pipe," BSC said yesterday.

Previously, the welded and seamless pipe have cost the same.

The new pipe range is made at the Hartlepool works of the tubes division.

Inflation 'may bar U.K. from trade upturn'

FINANCIAL TIMES REPORTER

A WARNING that Britain will not be in a position to take advantage of the expected upturn in world trade in 1976-77 unless she can reduce her rate of inflation to the world average is contained in Barclays Review, published by Barclays Bank.

Comparing recent economic performance with that of other major industrial countries where the rate of inflation has fallen, the review sees, in Britain's case, two factors working against the usual deflationary effects of recession.

One is wage pressures and the ineffectiveness of the social contract in moderating them. The other is ability to borrow funds overseas to maintain the standard of living.

Inflation is the theme of the review. One article charts the five-year experiences of 18 countries and asks what can be learned from their counter-inflation strategies. Another analyses U.K. post-war economic policies and concludes by advocating monetary control combined with measures to decrease wage expectations.

The review also examines instability in the home and international markets stemming from inflation, and says that instability will persist until "corporate profits and the distribution of dividends are free to expand untrammelled" by Government constraints.

Freer society needed, says Mrs. Thatcher

IT IS TRAGIC that when Britain should be wrestling with the problems of the 1980s, so much of political debate and society should seem stuck in the 1930s, says Mrs. Margaret Thatcher.

The Conservative Party Leader, in a declaration of philosophy in the Conservative Monthly News, gives warning against allowing the immediate problems of politics to obstruct the Conservatives' search "for the Britain we know we can attain."

Setting out her party's objectives, she gives priority to securing a free society. "Who can say that freedom of speech, freedom from bullying, freedom from envy, freedom of choice, freedom of the market place, do not all seem to be diminishing in our society?

"We believe that in a free society—in which the State is not forever interfering—we will obtain the greatest efficiency, prosperity, care, and responsibility.

Financial Times Clipper Race 1975-76

Tense start as guns thrill Thames crowd

By Alec Beilby aboard HMS Londonderry off Sheerness. Pictures by Glyn Genin and Freddie Mansfield.

AMID A SOUND of gunfire which made one wonder whether the ghost of the Dutch admiral de Ruyter had re-entered the Thames, the Financial Times Clipper Race, from London to Sydney and back, started yesterday morning from a line off Sheerness.

While, indeed, the Dutch yacht Great Escape eventually led the way into the open sea surrounded by thousands of spectators aboard a variety of craft, there was a moment of confusion after a long succession of explosions which delighted the spectators, worried the contestants and enabled Chief Gunnery Instructor Nobby Styles, aboard the starting ship the frigate Londonderry, to show his prowess to the full.

The French yacht Kriter II—whose crew had been struggling all week to be ready in time, but were late to the starting line—had been asked by a sympathetic chairman of the race committee, John Roome, whether they would like a ten-minute postponement.

At that moment, they were, in fact, alongside Londonderry and unloading friends asking for matches. Apparently they had forgotten this vital commodity, and sailors from the warship handed over their own while several spectators aboard donated lighters, mine included, to be returned when back next year.

While the Frenchmen were aware of the postponement, the other crews had missed the double firing of the 10-minute gun. Great Escape and the Italians aboard CS e RB Brusenelli were on their way when they were recalled by launch. The joint services crew aboard Great Britain II grasped the situation and turned back; an unappreciated penalty, or even disqualification, at this stage would have been disaster.

Eventually, the race got under way when the starter, Mr. Edward Heath, who is an ex-colonel in the Royal Artillery—two postponements and ten saluting gun shells later—finally signalled the start.

The four yachts set out on an aggressive start, more appropriate to a race to the Solent or the Dutch coast than an attempt to beat each other and Patriarch's time of 69 days from London to Sydney and a similar time for the return home via Cape Horn.

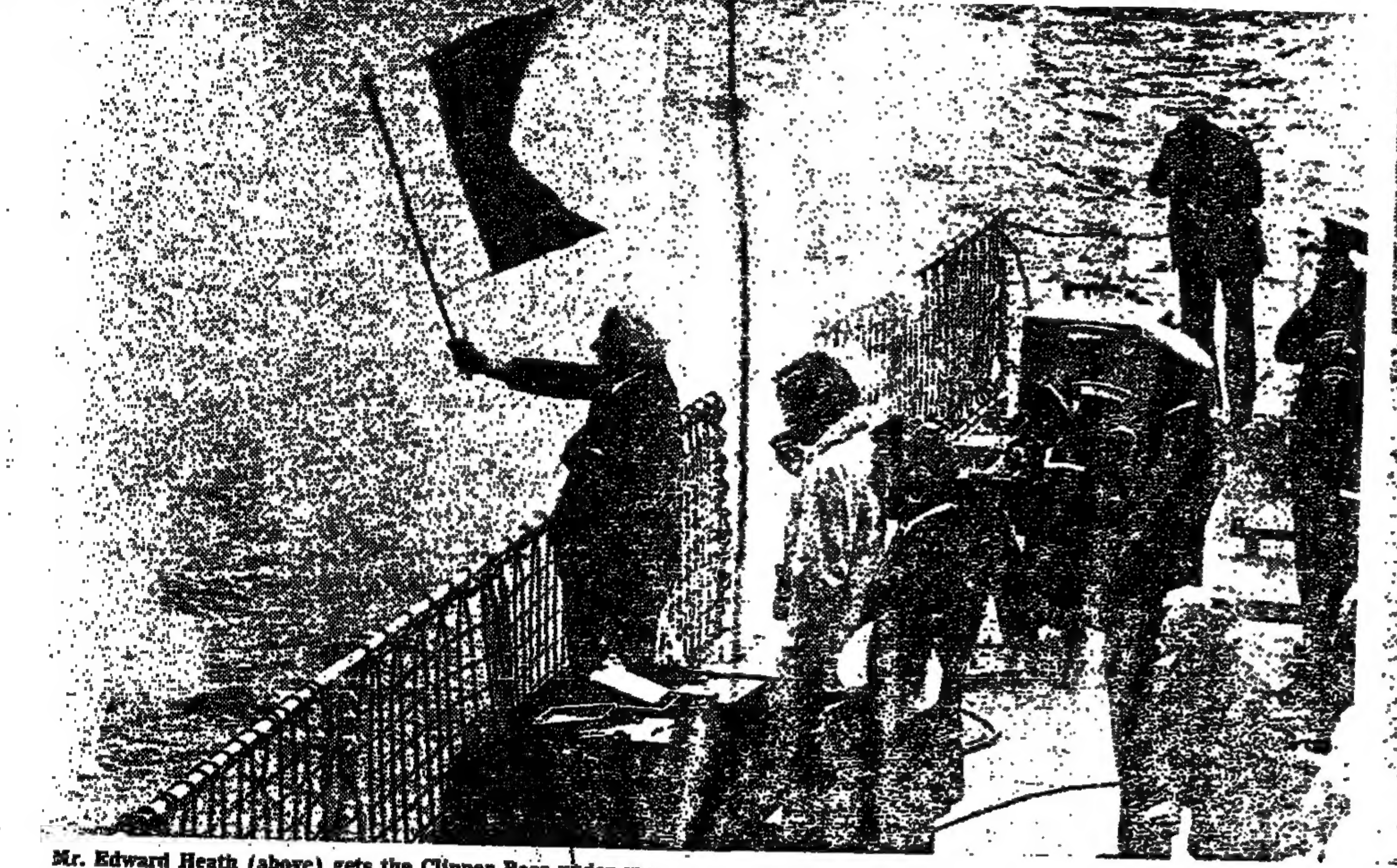
The lucidity of the course instructions could hardly be surpassed. The participants must leave the Queen's buoy, off North Foreland, to starboard, Cape Town to port and thence to Sydney — a distance of 13,650 miles.

Once away, 20 minutes after the intended time, none of the intensities of the moment had been lost. Both the Italians and the crew of Great Britain II had to crawl back to the line having almost been swept over too soon by the strengthening, east-going ebb tide. While the Dutch aboard Great Escape had timed it perfectly, the French were still apparently confused and lagged behind in the initial stages.

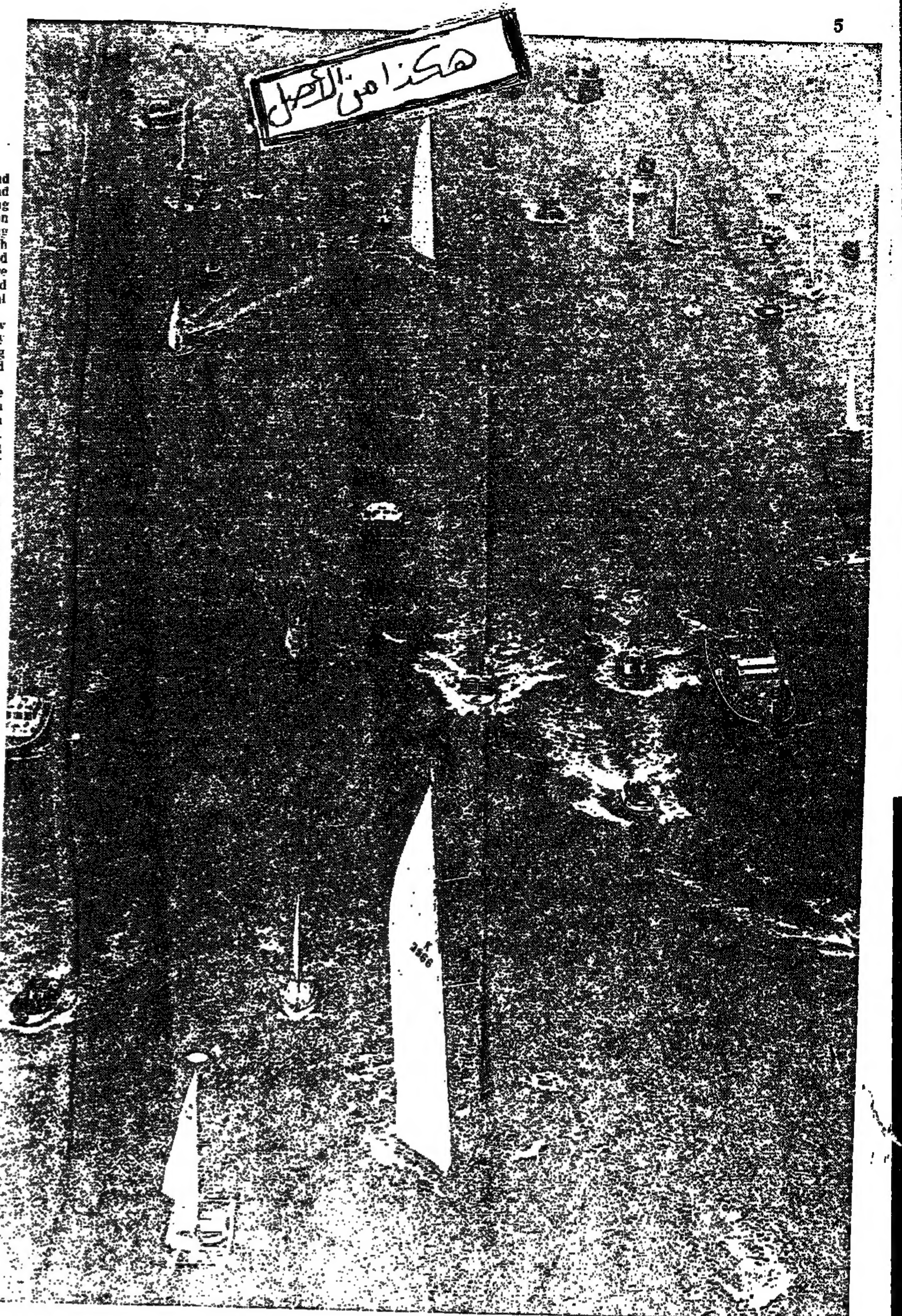
Hundreds of small craft saw them leave accompanied by Thames barges, French training ships, Dutch naval yachts and the host of other vessels.

As the sun broke through the mist, the winds shifted from North-east to North, promising a fast fetch down the Channel. Great Britain II, having recovered her poise, led Kriter by quarter to half a mile within an hour of crossing the line.

With the patriotism of France behind her, the crew of Kriter can afford to give a little time to the lighter weighted Great Britain II on the voyage through the tropics to the southern ocean where, in the Roaring Forties weight will pay. For the next two days, the crew will sail down the Channel as if they are on a local offshore race but once into the Atlantic the accumulated overhang of the past week of work and farewells will be replaced by a more staid routine. Then the battle will really begin.



Mr. Edward Heath (above) gets the Clipper Race under way from Sheerness, apparently oblivious to the sound of the starting gun which has the crew of Londonderry with their hands over their ears.



An hour after the start, Great Britain II (right) begins to pull away from Kriter II, the French entry.

LABOUR NEWS

Jones expects call for £9.50 pension rise

BY JOHN WYLES IN BLACKPOOL

A CONFIDENT prediction that the TUC's annual Congress this week will call on the Government to allow pensioners to exceed the £6 pay limit so that they can receive extra pension rises of at least £9.50 a week was made here at the week-end by Mr. Jack Jones, general secretary of the Transport and General Workers' Union.

Urging on the eve of Congress that pensions should be taken out of politics, Mr. Jones told a massed rally on Blackpool beach of about 6,000 old age pensioners and trade unionists that a bid by his union to link pension levels to male workers' average earnings would be unanimously endorsed by Congress.

Mr. Jones, who has been the leading trade union advocate of higher pensions, will be moving a T and GWU motion on Tuesday which says that married couples' pensions should be fixed at half of average male earnings and single persons' at one-third.

After pension rises due later this year and on the basis of the current average earnings figure of £56 a week, this would mean that the government would have to pay rises of up to £9.50 a week to fix the married couples' pension at £28. Mr. Jones believes that rises above the £6 limit for pensioners ought to be an acceptable means of reflating the economy at this time.

The Congress agenda also includes calls for a £30 a week married couples' pension and other demands to bring down to 60 the age at which pensions are paid to men so as to give them equality with women.

To loud cheers from pensioners who had travelled from as far as London and Teesside on Saturday, Mr. Jones said: "I think that a little bit more than the £6 a week limit can be justified for pensioners." It was not unreasonable and was essentially social justice that earnings-linked pensions should be achieved by next spring, said Mr. Jones.

In the face of the great economic problems facing the country, it was essential that those least able to bear the burden should be protected, he added.

TUC members up by 341,000 and more women join

BY ROY ROGERS, LABOUR CORRESPONDENT, IN BLACKPOOL

CONTINUED GROWTH of trade unionism, much of it among women, has helped to boost the TUC's membership figures by more than 340,000 over the last year, taking the total to over 10.3m.

Almost half the new members are women—60,000 of them in the public services—with other big gains in the TUC's transport, engineering, scientific and technical, and glass and ceramics sections.

These sections were also responsible for most of the rise in the male membership, with the transport group attracting 61,716 new members.

The net gain for the year was 341,500, including the reaffiliation of four small unions expelled in 1973 for remaining registered under the Industrial Relations Act — the Engineers Surveying Association, the National Society of Brush Makers, the Association of Co-operative Officials and the Writers' Guild.

The total now stands at 10,363,724, and this could easily top the 10.5m. mark soon if the last two main registration "rebels"—the National Union of Bank Employees and the National Graphical Association—succeed in their reaffiliation efforts.

The NUBE, which has sent observers to the TUC's annual congress opening here to-day, is expected to return to the TUC fold provided that it can stagger the paying of about £35,000 back affiliation fees due for the time it has been outside the TUC.

The NGA, however, is trying to prune the TUC's demands for a roughly similar amount of back dues and this could still prevent the print union from rejoining.

Mr. Len Murray, TUC General Secretary, made it quite clear yesterday that he wanted to see the NGA back in the TUC and emphasised that the terms being demanded of the union, including payment of back affiliation fees, were the standard conditions for rejoining.

"I do hope the NGA is going to take a positive decision soon and come back into its rightful place in the TUC . . . but they must make that decision for themselves," Mr. Murray said.

The NGA executive is due to consider the situation this month.

GLC staff accuses NALGO

BY OUR LABOUR STAFF

THE 20,000-MEMBER Greater London Council Staff Association has protested that "extremists" in the GLC belonging to a big rival union are trying to undermine the association.

Mr. Fred Hollocks, secretary of the staff association, accuses the National and Local Government Officers' Association of breaching the TUC "Bridlington" anti-poaching rules.

He has written to Mr. Geoffrey Drain, general secretary of the 518,000-member NALGO, asking him to disclaim extremist activities of his union's GLC branch.

The staff association recently complained to the TUC about its loss to NALGO and other unions of representation at national level for its London ambulance officers, who were transferred from local authority charge to the health service in April.

A copy of the protest letter has gone to Mr. Len Murray, TUC general secretary.

Warning on spending cuts

TEACHERS' LEADERS have given a warning that they will fight threatened cuts in education expenditure, even if it means strike action "in some cases."

The executive of the National Union of Teachers passed a resolution at the week-end declaring that it would continue to resist compulsory transfer of teachers, the non-filling of vacancies, and any deterioration in staffing standards.

It expressed concern at a statement by Mr. Fred Mulley, Education Secretary, that local education authorities would have to face a time of restraint.

Teachers fear that with cuts in local authority expenditure, education could suffer by about £100m. in the next year. Resisting the cuts could lead to strike action by the teachers, the union said.

Strict guidance on the step-by-step procedure of protest was issued to teachers. "At the end of the road, if an authority is completely obdurate, we don't rule out strike action."

The executive is to seek support from local education authorities and ask the Minister to do all he can to resist cuts in education expenditure.

OBITUARY

Mr. E. Marsden

MR. EDDIE MARSDEN, general secretary of the constructional engineering section of the Amalgamated Union of Engineering Workers, died over the week-end following a prolonged illness.

Mr. Marsden, who was a life-long member of the Communist Party and a member of the party executive in recent years, was 62.

Anti-smoking quiz for Rothmans

Financial Times Reporter

ACTION ON SMOKING and Health, the anti-smoking campaign group, has given Rothmans International, the tobacco group, advance notice that it intends to ask five questions at the company's annual meeting on Thursday.

ASH, which holds a single share in all the main tobacco companies, will ask Rothmans what steps it is taking to ensure that consumers and potential consumers are protected against the health hazards of smoking.

The Executive's World : The Office

EDITED BY JAMES ENSOR

More pictures mean less paper

BY ROY LEVINE

IN THE steady development of the "paperless" office, the use of Visual Display Units (vdu) is being adopted for more applications. Although the technology is not new, its use is spreading quickly.

In the life assurance world, vdu's are being used by Cannon Assurance to give a quicker response to clients' inquiries and the equipment will soon be used for underwriting as well.

Mr. Michael Ferrand, manager of management services, reckons vdu's are the best way to handle a high volume of low-level inquiries. The company operates 11 units at £75 per month each and is installing another four in the near future at its head office in Wembley, London.

Each unit can handle up to 500 calls a day, although the level of queries at the moment is about 1,500 a week, spread over the 150,000 accounts at Cannon, all computerised.

When a policyholder telephones for information, the client service administrator dials the account number on the keyboard.

Instantly an image of the policy appears on the screen giving all relevant and up-to-date information. If the screen is dimmed, the administrator can see instantly and for her own use such information as whether the policy is still in force, the amount of the monthly premium, whether there are any underwriting restrictions and so on. By lighting the screen again all relevant information including the number and value of units in unit-linked policies can be read to the client over the phone. A hard copy can be prepared simply by pushing a button.

"All the information is readily at hand in one spot," says Mr. Ferrand. "This makes information retrieval far more productive and saves staff. We estimate that the vdu's are saving us around £8,000 a year net."

The really significant developments, though, are still around the corner. Experiments are being done in Scandinavia with the use of portable vdu's so that insurance salesmen can bring instant information into the homes and offices of clients and prospective clients.

Salesmen could have vdu's in each branch office and could connect portable machines onto the telephone network.

Mr. Richard Ellis (right), managing director of Cannon Assurance, examining details of a client's policy on a visual display unit with Mr. Michael Ferrand, manager of management services.

Obviously certain information in the computer data banks would not be fed to salesmen and could be safeguarded by having separate programmes. Security codes for access would also need to be used.

For the near future, Cannon Assurance is developing a programme to use vdu's for underwriting. About four out of every five policies written follow a *norm* and can be verified immediately—the fifth requires further scrutiny. And there is no need to have a vast administration to process the first four—they can be done instantly.

Once cables have been implanted in Cannon's 20 U.K. offices salesmen can get instant information about prices, products and get quick clearance of the client.

This process will become particularly useful for the underwriting of policies for "affinity" groups like the AA which the company is marketing. But there is no reason why the principle should not apply to other types of policies like accident, health as well as equity linked.

To supplement vdu's, Cannon also operates microfilm systems so that the operator has immediate access through the microfilm reader of client records and correspondence. This, of course, helps to eliminate yet more secondary paperwork.

Supporting the vdu's is a complete data bank of 150,000 files on Cannon's clients on an IBM 370. The success of the venture rests largely with the managing director's complete involvement in it. Mr. Richard Ellis, a DP expert, believes that staff should not be mystified by computers but should involve computers in their daily lives.

This he has encouraged throughout the organisation. At management level he has formed a Data Processing Priorities Committee of divisional heads to co-ordinate claims on computer time and test the cost justification for demands for more equipment.

DP costs accounts for about a tenth of total operating costs and the DP budget for this year is just over £400,000. Yet it allows the company to save about 300 employees.

The efficacy of the system was tested last December when Cannon acquired Life and Equity Assurance from Jessel Securities and brought some 20,000 new policies into the computer. That process took three weeks and the company reckons it is saving over £150,000 net a year in operating costs. The extra data was absorbed within existing DP capacity and only a handful of new staff were needed. Previously, Life and Equity used computer bureaux.

Rest in comfort

BY BOB CREW

MANY OFFICES are without "rest rooms." Indeed, with the country supposedly not working as hard as it ought, it would be downright sacrilege in some quarters to suggest the necessity of such a room. Where rest rooms have existed — particularly in the larger office blocks — they have generally tended to be of a modest sufficiency rather than unashamed opulence. Some, of course, have been strictly utilitarian.

But traditional attitudes to rest rooms have been changing over the years and, to-day, some rooms are very lavish indeed. They are setting a relatively new trend in rest room thinking and design that is regarded by some as far too permissive.

At a time when the Government (and others) are calling for economic restraint and a wage freeze, some companies, while pulling their belts in on salaries, are letting them out again with rest rooms and pricey decor.

But, the trouble is, these avant garde offices may have gone too far—from the less than sublime to the more than ridiculous. According to the American psychologist, Professor Herzberg—who is noted, among other things, for his theories on work-motivation, "mental hygiene," and human relationships—luxury installations such as rest rooms are not primary contributors to the motivation or incentive to work, either harder or at all. But, whether rest rooms and other environmental inessentials actually motivate people or not, they do demonstrate the lengths to which many managements are going these days to attract and keep workers, in the belief that production cannot be sustained without the best possible working conditions. It is a matter of morale boosting, esprit de corps and company cohesion through the use of decor and environment.

In the view of the management consultants, H. B. Maynard, "It is true that we seem to be moving away from the essentials of the production system." A recently published book on production, by McGraw Hill, refers to the example of a brewery rest-room complex in Sweden which consists of a series of separate rooms, each with armchairs, telephone, music/radio installations and hot and cold drink-vending machines. These rest rooms, for various shopfloor and office departments, are in the close vicinity of newstands and changing, club, canteen and lecture rooms. The consultants note that the decision to have a series of small rest rooms, each connected to a particular working area, was made by the workers themselves—who preferred small individual rooms to one large communal room—when contributing to a worker-management participation programme.

One of the latest rest rooms to emerge in new office developments in London is at Whitehall Securities, Ltd., whose offices are on the 16th and 17th floors of Millbank Tower on the Thames embankment. These were redecorated last year in order to provide a more acceptable standard of interior decor and environment for staff whose conditions—unchanged since the Tower was built in 1963—were reckoned to be behind the times. The old decor was plain and did not incorporate many of the modern ideas or principles on office environment. It was typical of its time, when employee welfare and work-motivation was less advanced than it is to-day, the economy was stronger and the cost of living much lower. Certainly, a ladies' rest room resembling a room in a luxury hotel, as plush as a director's suite, would not have been on the cards in the old days.

But its not only the large concerns who are spending lavishly on rest rooms. If you travel around the smaller offices in Britain to-day, you will find that similar rest room developments are underway in establishments lower down the financial league.

Take a small branch office of the U.K. Provident Association in down-town Wolverhampton. People in that part of the world take their money seriously and are not likely to be found throwing it around in a rakish southern fashion. The UKPA recently redecorated their "temporary" branch office in Wolverhampton's Darlington Street by imaginatively converting some waste space at the end of a corridor which, in many similar offices, would have remained a space at the end of a corridor. And the result was a luxurious little oasis of civilisation for the purposes of rest. Complete with cosy armchairs, a housewife's *dream* kitchen partitioned off, plush carpet, bright decor and loads of magazines to read, it is the kind of place that any secretary, clerk or executive can be proud to be caught napping in.

A "coffee corner" at Volvo's new Kalmar factory, Sweden.

Arguments as to whether rest rooms are strictly or at all necessary still prevail, especially in Britain. The case for the rest room is either that it is ethically right to have one, or that worker cohesion, satisfaction and involvement cannot be achieved without it. For those who think that too great an emphasis has been put on the design and provision of such facilities—who believe that there is such virtue in hard work that satisfaction and incentive come from that alone—I finish this article with some food for thought from Sweden again on just how far it is possible to go in rethinking company rest rooms.

At the new Kalmar factory of Volvo, the motor manufacturer, a great deal of attention has been paid to rest-room amenities for blue collar employees. There are 25 teams of production workers on the shopfloor and each team has its own rest-room area on site—alongside its workplace — which includes "coffee corners", showers, saunas, changing and wash rooms, toilets and wardrobes. Each coffee corner has a heater-cabinet, refrigerator, coffee-making machine and fitted carpet.

"... the fellow must be peculiar ..."

Diabetic dangers

BY DR. DAVID CARRICK

JUBILEES are usually events to mark the 50th anniversary of some jolly or remarkable event. To celebrate jabbing oneself with a needle twice daily for 50 years appears, at the least, to be a bizarre reason for rejoicing.

Yet a 56-year-old woman has recently done just that and is happy that her continuing ordeal has kept her alive. For the drug she has been injecting twice daily (making a total of around 36,500 jabs since 1925) is insulin which has maintained her since she was a child sufferer of diabetes at six.

Had she developed *diabetes mellitus* (which, broadly translated, means "to run through sweetly") a year or two earlier she would probably be nothing more than a bemossed inscription on a forgotten grave. For only four years had passed since an obscure Canadian doctor called Banting and his medical student assistant called Best had worked to isolate insulin.

Before discussing the disease that afflicts over half a million people in Britain, it is necessary to provide some idea as to normal bodily function.

Carbohydrates are essential to life and form about 70 per cent. of the normal diet. After passing through the small bowel they are broken down into simple sugars and taken into the portal blood-stream to the body's great store and manufactory, the liver. In that organ, and also in muscles, much of the glucose is stored as glycogen or converted into fat. The rest is used immediately for the sustenance of tissues and brain cells where it is as vital as oxygen.

The major role in converting the glucose to glycogen and fat, and vice-versa when demand arises, is played by insulin which is secreted by certain cells in the pancreas called the "Islets of Langerhan."

In the classical type of *diabetes mellitus*, which usually appears in childhood or early adult life, these islets, for reasons not well understood, fail to produce insulin in sufficient quantities to carry out proper metabolism of carbohydrates with very serious consequences for the patient.

Glucose cannot be metabolised and used or stored so that the sugar level in the blood rises out of control. Now the kidney threshold in normal people is 180 mg. sugar to 100 cc blood, but in most people, even after a starchy meal, the level does not rise above 150 mg. If the threshold is over-ridden, then sugar pours out into the urine.

The patient suffers from intense thirst because the kidney fails to reclaim water and just about every drop taken by mouth is passed through rapidly. Soon he suffers from great fatigue and muscular cramps because the muscles are unable to utilise the glucose. Again, early on, there is marked hunger because of the uselessness of the glucose available, but this is followed by loss of appetite.

The body, desperately striving to obtain its fuel, proceeds to break down fats and proteins. Thus the patient loses weight. As the emergency metabolism is inefficient, certain intermediary products—acetone and ketones—accumulate in the blood and depress the respiratory centre and induce coma. In an attempt to eliminate these, the kidneys pass them into the urine and the lungs excrete acetone.

Further complications as well as other modifications of diabetes and treatments will be discussed later, but to underline the acetone angle, I cannot forbear to mention the curious case of the club bore and this waiter. The former, a grumbler, took exception to a pale youth because he was slow, inefficient but, above all, "the feller must be peculiar—either uses nail-varnish or sucks pear-drops. Disgraceful."

Unwittingly he did the young man a favour, as the acetone-laden breath caused an astute doctor who happened to be present to take him on as a patient and treat his hitherto unsuspected diabetes.

Intolerance sometimes does somebody some good.

هكذا من الأصل

OVERSEAS NEWS

Portugal army tense over Goncalves

BY JANE BERGEROL LISBON, August 31.

TENSION IN key military units around the country has in no way been lifted by the removal last Friday night of General Vasco Goncalves as Prime Minister. In fact, his appointment as chief of staff of the Armed Forces has exacerbated anti-Communist feeling among a majority of army units, and sources close to the Group of Nine dissenting armed forces movement leaders, captained by the former Foreign Minister Major Melo Antunes, said to-day they expected more decisive developments in the next 24 hours in order further to satisfy the moderates' demands.

Although the Socialist Party leader, Dr. Mario Soares, has already been received by President Costa Gomes, and the Popular Democrats are to see him to-morrow, following the departure of General Vasco Goncalves from the premiership, it is still too early to say whether moderate Armed Forces officers are succeeding in reversing the supremacy of the Communists and extreme Left.

For one thing, the new Prime Minister, Admiral Pinheiro Azevedo, has yet to make any public statement on his intentions about forming a new sixth Provisional Government or modifying his inherited fifth Cabinet.

The nine dissenting officers, however, are once again piling pressure on the President, with publication of a new document disapproving nomination of Goncalves as Armed Forces Chief of Staff and claiming the Council of the Revolution meeting which approved the changes was illegal since they did not take part.

In their new document, they claim they have 80 per cent. of the armed forces behind them and the "massive majority" of the people.

But the Council of the Revolution is to be changed on Friday, by a new Armed Forces General Assembly, and at such assemblies it is usually a determined group of Communists and extreme left who have in the past swayed the voting.

Moderates and several branches of the army, including the infantry and cavalry, have recently put forward proposals for the reform of the General Assembly through a return to voting its members.

Meanwhile in Lisbon to-day, a tussle broke out between the outvoted old Communist leadership of the clerical workers' union and the newly-elected Socialist and extreme left union leadership. The old leaders refused to leave union headquarters until they were forced out by military police who helped instal the new leadership, to a jeering Communist crowd.

OECD predicts sluggish revival in Denmark

BY ROBERT MAUTHNER PARIS, August 31.

A SLOW revival of economic activity, coupled with a comparatively good price performance and a continuing high rate of unemployment, are likely to be the main features of the Danish economy in the coming months, according to the latest forecasts of the OECD Secretariat.

The recession in Denmark has now slowed down and an upturn can be expected by the end of the year, thanks to an expansionary shift in fiscal policy and the probable recovery in world trade. But given the high level of stocks, the response of production to a revival of demand may be sluggish, the Secretariat states in a report on the Danish economy due to be published to-morrow.

As a result, the OECD is predicting no more than zero growth for Denmark for 1975, and its forecasts for employment are frankly pessimistic. The selective stimulatory measures which have already been taken will probably produce a temporary improvement, but failing a stronger upturn in residential investment or exports than foreseen at present, unemployment is almost certain to increase again towards the end of the year and remain around the 10 per cent. mark.

On the prices front, things look much better. After a 15 per cent. rise in 1974, inflation slowed down to an annual rate of no more than 5.5 per cent. in the first half of this year, substantially less than the average for other European member countries.

News takeover

IN ADDITION to the complete takeover of the influential New Nigerian newspaper, the Federal Military Government yesterday announced its decision to acquire compulsorily a majority 60 per cent. stake in the mass circulation Times Group of newspapers.

New York worries President

By Jay Palmer

NEW YORK, August 31.

NEW YORK City's slide towards financial disaster has at last got through to the Government.

After months of official unconcern over the impact of a City debt default, senior White House economic aides are finally admitting its serious national implications.

Hinting that President Ford had assumed a far greater involvement in the city's fiscal crisis, Mr. William Simon, Treasury Secretary, and Mr. William Seidman, the President's special assistant for economic affairs, acknowledged over the week-end that any city default could critically damage the ability to borrow off other towns and cities. This could "complicate" this country's economic recovery.

The near-dramatic change of heart by the Administration came after fresh waves of pessimism on Friday. Referring to the City's unsuccessful attempts to arrange emergency financing in the wake of the banks' refusal to buy any more City debt, Mr. Felix Rohatyn, the financial director of the Municipal Assistance Corporation, said: "Default is a good possibility."

The bankers' decision not to buy more City or MAC bonds until fiscal reforms were initiated left officials trying to arrange temporary short-term financing for the next few weeks. Most of the different schemes based on advance payment of property taxes and sales of mortgages to the Federal Government remain not only insufficient but also uncompleted.

U.S. 'tapping telex traffic'

By Adrian Dicks

WASHINGTON, August 31.

THE continuing saga of misdeeds by the U.S. intelligence community took an intriguing new turn this week-end with the revelation by the New York Times that the National Security Agency has for years been intercepting virtually all telegraphic, telex and other cable traffic in and out of the U.S.

According to sources familiar with the NSA's activities, and quoted by the New York Times, the agency has been able to eavesdrop on newspaper and news agency traffic and on much of the private communications of foreign governments and companies, as well as those of private citizens.

Political parties ban in Dacca emergency

BY DUAD KHAN MAJLIS DACCA, August 31.

THE BANGLADESH Government has banned all political activities in the country. President Khondker Mushtaq Ahmad yesterday ordered a prohibition of the formation of any political party.

The order provides that no person "shall form, organise, set up or convene, or be a member or otherwise take part in the activities of, or in anyway be associated with any political party."

All political parties except the Bangladesh Awami League were banned by Sheikh Mujib's Government when he introduced one party rule in the country last January. Under the new ordinance even the League will be banned.

The order provides penalties of up to seven years' imprisonment for contravention of any of its provisions.

As the new Government's total war on corruption continues and former politicians, businessmen and civil servants are taken into custody on charges of corruption and amassing wealth illegally, more and more political prisoners jailed by Sheikh Mujib are being released from country gaols every day.

K. K. Sharma reports from New Delhi: India has strongly protested against the "malicious campaign" by Pakistani missions abroad that India might launch a "diversionary move" against Pakistan to deflect attention from the state of internal emergency.

Official sources say a similar campaign against India is being carried on in the Pakistani Press following the recent developments in Bangladesh. Sources say that the campaign had gone to the extent of suggesting that India might attack Bangladesh.

New fund for non-aligned

BY HUGH O'SHAUGHNESSY LIMA, August 31.

THE CONFERENCE of the Foreign Ministers of 81 non-aligned countries closed here yesterday with the approval of a series of ambitious economic resolutions and threats of further concerted action to achieve Israel's expulsion from the U.N. if Palestinian rights were not respected.

Main tangible result of the week's conference is the agreement to set up a multi-billion dollar solidarity fund for the economic and social development of the non-aligned countries which should be in operation before the summit meeting of the movement next August in Colombo. The countries finally agreed on a standard initial contribution of 500,000 SDRs from each member. This would give the fund, which the majority of members are likely to join, a basic capital of around 40m SDRs which would be augmented by voluntary contributions from the richer states up to some $6bn. The fund would be sited in Kuwait which has reportedly agreed to make an initial contribution of 300m. dinars.

More ambitious, but infinitely more difficult, is the agreement to support the prices of the non-aligned countries' raw materials. An expert committee is to meet in Geneva before the end of November to draw up statutes for the fund to finance buffer stocks. The fund would seek to provide compensatory finance for countries hit by falling raw material prices.

It is not yet clear which commodities will be covered by the fund and where the finance would come from for its support. Estimates of the amount of capital needed to run it vary from $3bn. to $50bn.

The conference resolved to set up an information centre in Havana on the activities of transnational companies and to seek co-operation within the movement on scientific and technological subjects.

FNLA nearer to Luanda

LUANDA, August 31.

THE PORTUGUESE High Commission here to-day reported that forces of the National Front for the Liberation of Angola (FNLA) had advanced towards Luanda, which is firmly controlled by the rival Popular Movement for the Liberation of Angola (MPLA).

A military communique published to-day said there had been troop movements in the area between Quifandango, about 14 miles north of Luanda, and Caxito, another 25 miles further to the north.

Informed sources said there had been clashes in the past few days roughly halfway between Launda and Caxito, where the FNLA retreated following bitter fighting in the Angolan capital last month.

Reuter

BOUGAINVILLE'S SECESSION

A symbolic gesture

BY JAMES BUXTON

THERE IS a good chance that nothing very significant will be happening on the South Pacific island of Bougainville to-day. There may be some civil disobedience, and a few government offices may be taken over. There could be something a little more spectacular. But it is just as likely that September 1 will pass off as another day of tropical heat by the shores of the Coral Sea.

Yet September 1 is not just another day. It is the date selected a few weeks ago for Bougainville, famous mainly for its rich copper mine, to break away from Papua-New Guinea (PNG), the dependency of which it is a member. Bougainville will indeed break away to-day. But for the moment, at least, it will be in much the same situation after UDI as it was before.

This is partly because the two countries most affronted by UDI, namely Australia, which until September 16 has responsibility for PNG, and the PNG Government itself, are determined to take as little notice of the events in Bougainville as they can. The secessionists may, the authorities admit, take over the office of the District Commissioner in Bougainville. But, they say, that doesn't really matter. As for the Bougainvilleans, they do not seem to be taking it very seriously either. For the present they are apparently content with a symbolic gesture.

Yet for all the appearance of being an amusing if rather slow-moving farce, the situation is really being taken very seriously both in Port Moresby, the capital of PNG, and in Canberra. If secession were to be successful it would remove from PNG its biggest source of revenue—the tax paid by Bougainville Copper, which is controlled by RTZ through its subsidiary Conzinc Riotinto Australia. Last year this revenue amounted to £58m. Without it PNG would be almost totally dependent on the Australian taxpayers, who in 1973 provided them with £87m.

At the same time a successful Bougainvillean UDI might inspire other parts of the new PNG to secede—there are already some signs of them wanting to do so. The heart of PNG is the eastern half of the island of New Guinea (the western half is Indonesian) but it also comprises several island chains to the north and east. It is extremely diverse and has several hundred separate tribes.

Bougainville itself is even more separate, being 600 miles from Port Moresby and both geographically and ethnically part of the Solomon Islands, the rest of which are a British colony. It was lumped in with New Guinea as a result of a colonial deal between Britain and Germany before World War One. When Germany later gave up her colonies New Guinea, including Bougainville, became a UN Trust territory under British mandate, and eventually came under the control of Australia, with Papua.

Bougainville's secessionists to-day accused Australia and the United Nations of sacrificing the island for political expediency. "They have sold us out," Bougainville district planner, Mr. Leo Hannett, said.

He was commenting on the U.N. Trusteeship Council's resolution approving September 16 as Papua New Guinea's independence date.

Reuter.

The Bougainvilleans, almost all of whom appear to favour secession, regard PNG's independence as the ideal moment to start out on their own, but they may not have the muscle to prove it. They are firmly within Australia's sphere of influence and Australia is determined that they should stay in the federation. A petition they took to the UN earlier this month got nowhere.

So long as the Bougainvilleans remain peaceful they can be little more than a nuisance. But if they step up their protests and cut off communications, or interfere with the workings of the copper mine or the outflow of copper, they are almost certain to bring down the wrath of the PNG police and, possibly, armed forces. The majority of the police on Bougainville are not Bourgainvilleans, and are loyal to Port Moresby, whence troops could be brought in.

But if the struggle got that far there might well be bloodshed which the Australian and PNG authorities are anxious to avoid. They hope at least that nothing untoward will happen between now and September 16, and in the past few months have gone out of their way to make the Bougainvilleans feel, so far as possible, that they are better off in PNG. Bougainville now has its own Interim Provincial Government; it now gets the royalties from the copper mine (but not the tax); and the amount of money devoted to development is far above the average for the rest of PNG.

From the Bougainvilleans' point of view the most frustrating aspect of the struggle is that Bougainville Copper will continue to pay its contractual revenues into the Port Moresby treasury and there is nothing to back suggestions that RTZ favours secession to avoid tax. RTZ has no wish to cross swords with the Australian Government and it finds the views on private enterprise of some of the Bougainvillean secessionists somewhat uncomfortable. It, too, is adopting a low profile and is waiting to see what happens.

Portugal 'must ask for help' in Timor

JAKARTA, August 31.

INDONESIA wants other countries, especially its neighbours, to know that it has no intention of intervening in Portuguese Timor unless asked to do so by Portugal, Indonesian sources said to-day. They said President Suharto would explain this to Singapore Prime Minister Lee Kuan Yew when the two leaders hold informal talks on the tourist island of Bali. The talks are due to start on Tuesday.

A Portuguese special envoy, Dr. Antonio Almeida Santos, left here for Australia last night after talks with Indonesian officials about possible Indonesian intervention to end the fighting in Portuguese Timor between the Leftist Revolutionary Front for an Independent East Timor (Fretilin) and the Timor Democratic Union (UDT).

Foreign Ministry officials dismissed suggestions that Dr. Santos had snubbed Indonesia's offer to intervene. "The talks are not finished and will resume when he returns here in the next few days," they said.

Informed sources said the principal stumbling block in the talks so far was that Jakarta wanted to land an Indonesian task force immediately, to be followed by a multinational joint peace-keeping authority, while Portugal wanted both the authority and the task force to be multinational.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

New automatic lathe

CLAIMED TO offer a range of facilities never previously available on a single spindle automatic lathe, the 50 mm. bar capacity Auto Sprint Series "S" marks the entry of EMI-MEC into the large capacity auto-lathe market.

Of modular construction to simplify maintenance and manufacture, all major electrical functions of the machine are on individual printed circuit boards. The programming technique is interchangeable with existing EMI-MEC plugboard control systems, so that operators do not have to be retrained.

A self-compensating collet mechanism allows a 0.75mm variation in the size of bar stock without collet adjustment. Automatic random selection of turret position is available and there are independently operating cross slides with longitudinal traversing on the front slide.

Copying is possible with an optional copying unit used in conjunction with the front slide traverse. Other features include two independent vertical slides, and a 7½ hp three-speed motor driving through a gearbox with pick-off gears, giving 30 spindle speeds in five ranges from 50 rpm to 2560 rpm of which any one range of six speeds can be used in a given program.

The company is at Charlwoods Road, East Grinstead, Sussex, and the machine will be shown for the first time in South Africa at the International Machine Tool and Production Engineering Exhibition, October 21-25.

● ELECTRONICS

Display is a foot tall

ALPHA-NUMERIC light emitting diode display characters in 3, 4, 6, 9 and 12-inch sizes have become available from Mentor Electronics, Ryefield Crescent, Northwood, Middlesex (Northwood 27051).

Applications are where longer distance readability is needed and include clock repeater displays, machine tool setting indicators, and in many process control schemes.

Displays are seven bar and consist of up to a dozen individual diodes per bar, mounted on a printed circuit board. Driver boards are separate and can be BCD input, count and divide, or count, divide and latch.

In a counting application, for example, the drive boards for six digits can be accommodated in one small housing while the six display boards can be mounted in line: thickness is 12 mm.

The front face of the display board is matt black so that reflection is small even in high ambient illumination.

Suitable filter materials are available up to 1,400 x 625 mm. (enough for five of the largest characters) and the LEDs themselves are supplied in red, green or yellow. Prices from £23 to £75 for one off.

● COMPONENTS

Oscillating switches

PULSING, INTERRUPTING and flashing functions can be carried out with switches introduced by Engel and Gibbs, Elstree Way, Boreham Wood, Herts (01-953 2291).

Basically self-oscillating mercury relays, they have sealed contacts which are immune from atmospheric contamination and provide long life maintenance-free operation. Applications are in alarms, sirens and indicators.

Type DP/OC/F uses two mercury switches, one of which is a time delay operating in series with the coil to govern the pulsing. A second switch controls the load and can be supplied for 15, 30 or 60 A although frequency of pulsing can limit the use of the heavier duty switches at full power. Overall dimensions of the largest model are 209 x 181 x 182 mm.

The interrupter unit HD/OC/F has two single-pole single-throw mercury switches to provide a set pulsing rate of about 132 pulses/min. Maximum load is 5A.

● PRINTING

Processor needs no plumbing

MARKING THE entry of Autex into the manufacturing (as opposed to factoring) field, is a graphic arts film processor for the offset printing industries. The company says it does not use the standard 5 litre containers for developer, fixer, etc., normally housed in a cabinet beneath the machine, but instead has a pump which eliminates both the containers and the usual tubing array.

Called the Photomatic-4, it is a four bath automatic processor for stabilised film and reflex papers, and will operate without running water or plumbing. The baths — activator, stabiliser, fixed and water—are recirculated individually by separate pumps with a supply of 5 litres of fluid.

Chemicals are ready for use in containers matching the reservoir capacity. It occupies less than half a square metre of bench space, and film material is ready for printing down in seconds after leaving the unit, says the company.

Maximum feed width is 420mm. (A2), minimum feed length is 200mm. and feed rate is 12mm./second. The maker is at 47 Osborne Road, Thornton Heath, Surrey, CR4 8PD (01-771 9981).

● TIMING

Electronic stopwatch

AVAILABLE FOR £45 from Wharton Electronics, 32, John William Street, Huddersfield HD1 1BG (0484 36879), is an electronic digital stopwatch.

Called the Timemaster 101, it measures 127 by 63 by 40 mm and weighs 200 gms complete with PP3 type battery.

Made in the U.K., the unit should have wide application in sport and industry and is particularly easy to use. It is claimed to be accurate to 0.001 per cent. under normal conditions.

There are three pairs of characters on the display showing times up to 99 mins 59 secs and 99 hundredths of a second. A start/stop and a reset button have the normal functions but there is in addition a split button which, although it "freezes" the display when depressed, allows the clock to go on counting. When depressed again, the button brings up the cumulative time elapsed since the start. If required this second (and subsequent) timing can be started from zero to give consecutive readings.

The timer has a variable display brightness for use in various ambient lighting conditions.

● RESEARCH

Information on surface coatings.

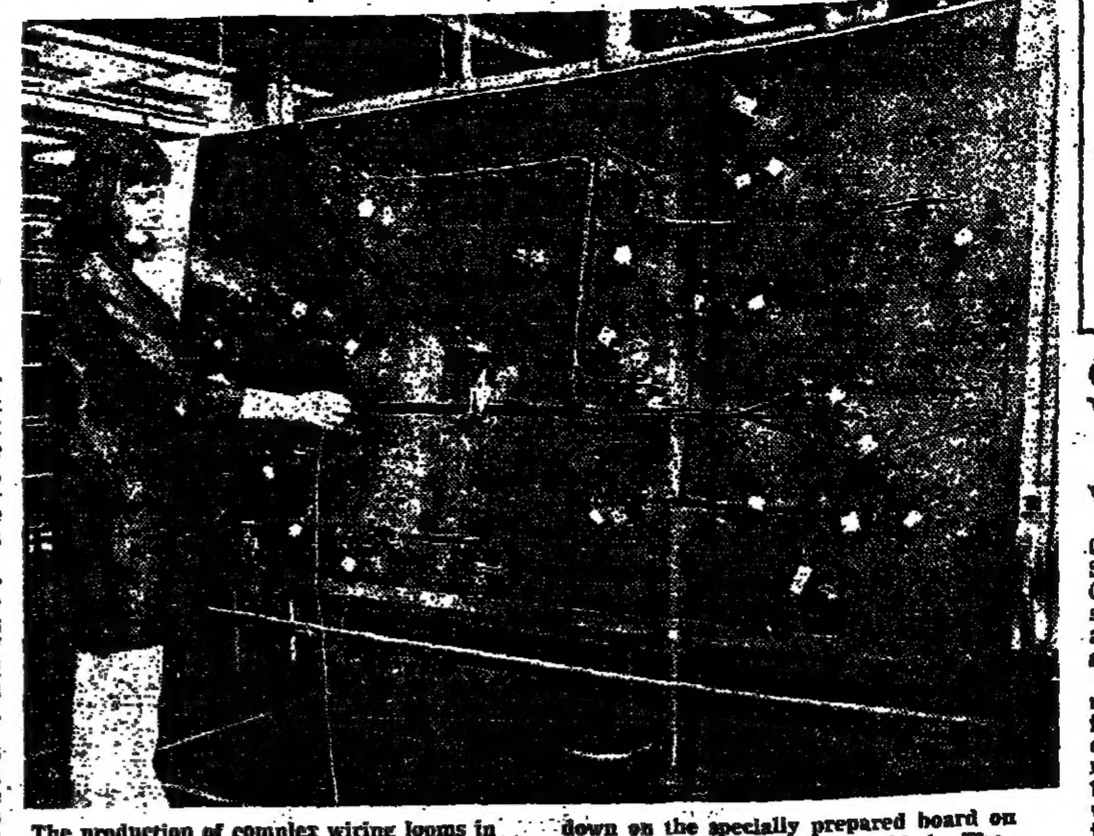
LATEST INFORMATION on technological developments in the coatings industry may be essential to organisations concerned with paint or allied coatings. This is often available in World Surface Coatings Abstracts, compiled from a worldwide range of journals and including patents from over a dozen countries, but the problem is handling and distributing this information.

From next January, the Paint Research Association, Waldegrave Road, Teddington, Middx., TW11 8LD (01-977 4427) will be providing a computerised information service based on these abstracts.

The Association says WSCA will continue to appear as a monthly publication, but abstracts will be updated by about three months because of the faster processing time.

Selective dissemination of information (SDI) will also be provided enabling users to obtain profiles, that is, specific subject areas to suit their own requirements.

These will be supplied as a monthly computer print-out of suitable abstracts selected from the latest input. Magnetic tapes from the PRA computer will be available to organisations with their own computer, covering complete issues of WSCA, or profiles.



The production of complex wiring looms in sizes up to 10 by 3 feet has been simplified at the Rank Xerox factory, Mitcheldean, Glos., by the use of two Ozalid film products. Initially the complete wiring loom is drawn on Ozatex 0.003-inch film showing the position, colour coding and sequence of the cables and cable ties, and this is retained as a master. From it a diazo print is made on aluminised maroon line Ozakling film which has a self-adhesive backing and is laid down on the specially prepared board on which the loom is to be assembled. The film has high dimensional stability and resistance to wear so that it can be used to make many looms without becoming unsatisfactory. Guide pins are tacked to it to help the assembler identify the position of tags and the form of the various cable runs, assisted by the instructions printed on the sheet. Modification of layouts is expedited by simply sticking new information on the board using the master/print process.

● DATA PROCESSING

Data found by optical mark cards

DATA IS extracted from a card filing system using optical mark reading principles in the TE 240 put on the market by McBee Systems, 6, Totman Crescent, Rayleigh, Essex SS6 7XB (03742 3841).

The data cards measure 7¾ x 3¼ inches and each can accommodate up to 960 characteristics in a coding which amounts to no more than making a mark in the appropriate box. An alternative method of coding allows every card to incorporate many thousands of details or cross references.

Likely to be of particular value in marketing, statistical and addressing operations, the system allows fairly straightforward questions to be answered quickly. For example, if each card represents a retail grocery outlet, a scan of them all might reveal, say, all those with a turnover greater than a given amount in a particular product.

The cards can be custom printed for each application so that for operation the user fills out a "question card" and feeds it into the unit which then scans the data cards at 500 per minute, dropping out those that meet the requirements of the question card. Price is about £3,000.

Venture by BOC and Brandon

COMPUTER USERS thinking of changing to an ICL 2900 range computer will soon have under one roof conversion facilities offered by Brandon Applied Systems together with development, testing and support/training facilities offered by BOC Datasolve.

A joint company has been formed for the purpose, but the two parties will continue to trade under their own names. They will, however, jointly purchase an ICL 2970 machine which is to be installed near Heathrow and will begin operation on January 1, 1976. A second machine will be installed if the demand requires it.

● CONSTRUCTION

Road can be picked up and relaid

AN IDEA for constructing a temporary road surface has been developed following collaboration between Kent County Council and Bell and Webster, of Hoddesdon, Herts.

The road is made up from portable concrete rafts which can be removed and used elsewhere when they have fulfilled their role on a site.

The rafts, measuring 2,000 x 1,000 x 250 mm. thick, are of reinforced concrete, bound on the top edges by angle iron with a rounded edge to prevent excessive wear on rubber-tyred vehicles. Two lifting slots are provided for laying and making any subsequent adjustment.

For a refuse dump in Kent, a quarter-mile-long road was built in 28 days from site clearance, including ten days for laying and compacting sand and 11 days for drainage and ancillary works. Three men and a small crawler crane laid the rafts in seven days.

● POWER

Works unde[r] water

OFFERED BY Totton Electric Sales, of Southampton Roa[d], Cadnam, Southampton, Ham[p]shire SO4 2NF (042127 3136), a 6-watt AC mains motor wi[th] a hermetically sealed field coi[l].

Designated SP3-MEC, [the] motor is particularly intend[ed] for use as an agitator drive [in] conditions of high humidity. T[he] makers say they have conc[en]trated on design features wh[ich] will ensure a long and troub[le-]free life. Prototypes have be[en] operated for three weeks und[er] water.

The field coil has a plug [in] thermal overload cut-out, [the] operating temperature of wh[ich] may be specified by the cus[to]mer. The accent is on resistan[ce] to damp and corrosion and [in] addition to the sealed coil [the] unit has a stainless steel sh[aft] to customer requirements, br[ass] assembly bolts and special be[ar]ing housings. The bearings [are] double-shielded ballraces [and] coil laminations are primed [to] resist rusting.

● MATERIALS

Bonds glass parts

LOW TEMPERATURE [glass] powder for vitreous sealing [has] been introduced by Cor[ning] Glass Works, New York 148[...]

The "solder" glass (Cor[ning] code 7555) seals at the relati[vely] low temperature of 450 deg[...] and is particularly useful [for] sealing liquid crystal dis[plays] since changes in the resistivi[ty of] the conductive coatings are [mini]mised. The seal is hermeti[c in] spite of the low temperatur[e and] the requirements of MIL 88[...] be met.

The company believes [that] although other sealing mate[rials] such as epoxies can be use[d at] lower temperatures, none [can] produce a hermetic seal eq[uiva]lent to that of the new [solder] glass. Due to the chem[ical] bonding of the glass parts, [the] seal offers absolute moi[sture] protection.

Delivered as a fine po[wder] (usually 95 per cent. throu[gh] 325/in mesh) the glass h[as a] coefficient of thermal expa[nsion] of 8.5 ppm/deg. C. and [its] softening point is 410 deg.

CONTRACTS AND TENDERS

هكذا من الأصل

هكذا من الأصل

Building and Civil Engineering

Offices for the Banque Belge

A CONTRACT valued at £4.7m. for the construction on a 1,200 square metres site in Bishopsgate, London, of an office block and banking premises for Banque Belge has been awarded to Sir Robert McAlpine and Sons by Bishopsgate Estates.

McAlpine says considerable underpinning to adjoining buildings will be necessary during the construction of a reinforced concrete two-level basement, 11 metres below ground level. Above ground, the 23 metres by 37 metres on-plan building will rise to a six-storey and plant room height of 35 metres.

A steel-framed structure with reinforced concrete floors will surround a reinforced concrete core housing lifts, staircases, toilets and service ducts. External glazing will consist of tinted glass in bronze aluminium frames.

Some 92,000 square metres of floor space will be provided in the fully air-conditioned and centrally heated building, which is programmed for completion in late 1977.

Architects are Gollins Melvin Ward and Partners, quantity surveyors Langdon and Every and consulting engineers Scott Wilson Kirkpatrick and Partners.

Wimpey gets more jobs in Scotland

GEORGE WIMPEY has been awarded a further contract for the construction of dwellings in Irvine Newtown, Ayrshire.

The contract, a continuation of the Bourtreehill development at Towerland Road, Dreghorn, Irvine, is for 318 dwellings and 69 garages valued at about £3.2m.

The project which includes associated second stage site servicing and site works, involves 284 two storey dwellings and 29 three storey dwellings. Work will start next Monday and is due for completion in December, 1977.

This contract brings the total dwellings being undertaken for the Bourtreehill development by Wimpey to 814, and for the new town as a whole to 1,419.

Wimpey has also won a £970,000 contract from the City of Glasgow District Council for the construction of a working men's hostel.

The hostel will comprise one 2-storey centre block, a 3-storey west wing with services penthouse, a 4-storey east wing with services penthouse and a single-storey rear extension to the centre block.

The complex will contain 249 one person-bedrooms and superintendent's flat with associated services, canteen, dining area and TV lounge.

Work is due to start on September 11 and is scheduled for completion in April, 1977.

£3.3m. jobs awarded to Shepherd

OVER £3.3m. worth of contracts have been won by Shepherd Construction.

Two of them, worth over £1m., are for building projects in Leeds, another is for a £1.6m. office building and multi-storey car park in Wakefield where a high level bridge deck will span Marsh Way, and the fourth project worth more than £500,000 is for reconstruction work in Halifax at the former headquarters building of the Halifax Building Society.

The principal Leeds contract is for a £704,780 office redevelopment by the Scottish Life Assurance Company in the Headrow. The second job in the city is for the Yorkshire Bank in York Place.

The office and car park project at Wakefield is for Commercial Union Properties (U.K.)

£4m. London block

AN OFFICE block costing £4m. is to be built in St. Dunstan's Lane, London, E.C.3 for the Legal and General Assurance Company.

The contract has been awarded to Sir Robert McAlpine and Sons and work is now getting under way. A 60 by 45 metres concrete frame structure rising to 33 metres is called for.

Car parking space and shell accommodation for licensed premises is to be provided at ground level. Completion is due by mid-1977.

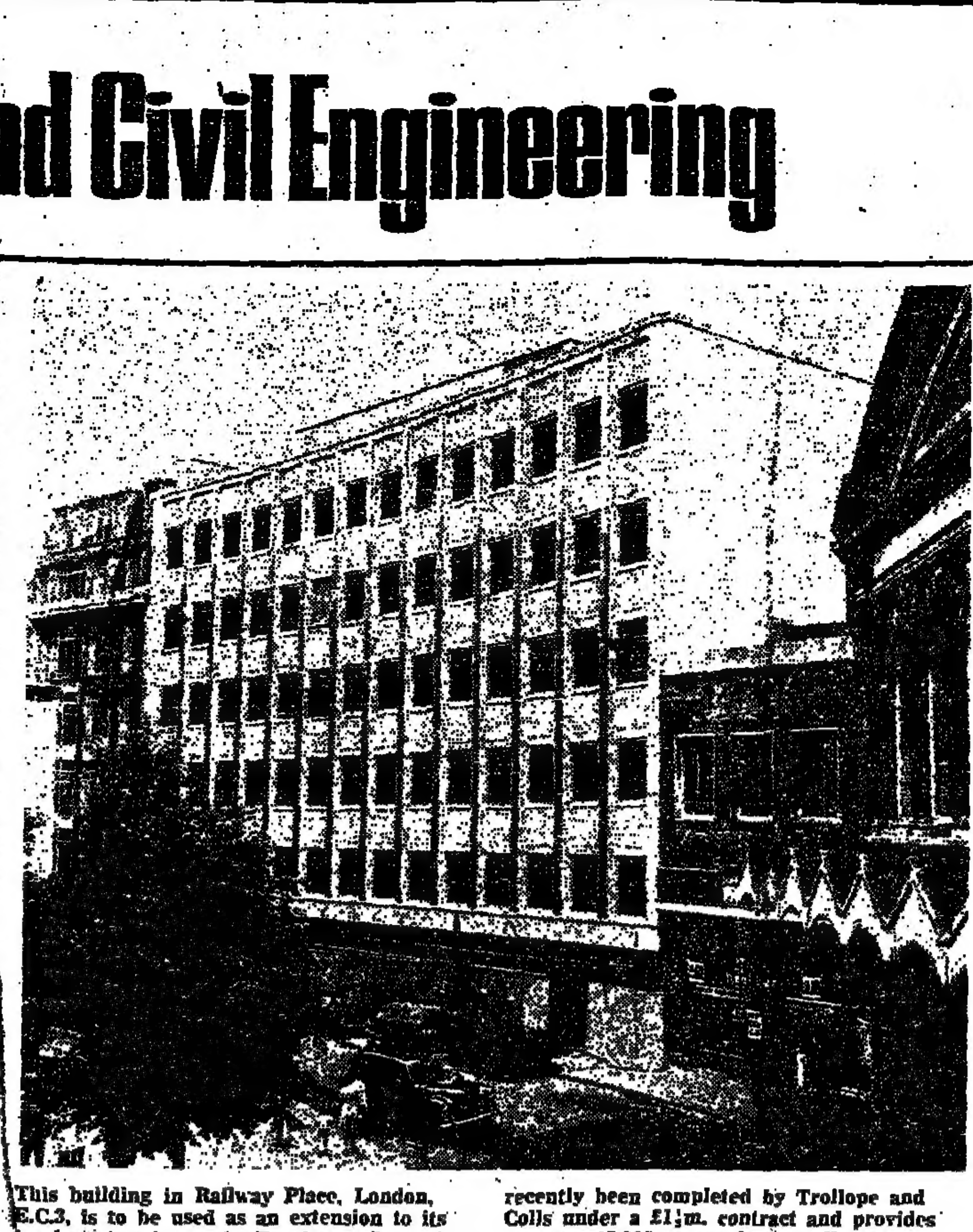
Architects are Fitzroy Robinson and Partners, quantity surveyors are Banks Wood and Partners and consulting engineers are Ernest Green and Partners.

Speeded by automatic handling

BY COMPLETING a £1m. council house development six months ahead of schedule, a Bridgend building company is reported to have saved Cardiff City Council £23,000.

G. and M. Bryant was awarded an 18 month contract to build 47 council houses at Glan Ely last August, but the completed development was handed over early last month.

All supplies were delivered on pallets to a tightly organised schedule and handled mechanically. The automatic handling system speeded construction by enabling the company to cut down dramatically on waste, bricklaying costs, and general labouring.



This building in Railway Place, London, E.C.3, is to be used as an extension to its headquarters in nearby Fenchurch Street by Lloyd's Register of Shipping. It has recently been completed by Trollope and Colls under a £1½m. contract and provides an extra 45,000 square feet of office space. Architects were William Holford and Partners.

Catering school

COSTAIN Australia has won a £4.8m. contract to build a school in West Ryde, New South Wales for the Public Works Department of NSW.

The seven-storey building will be of reinforced concrete structure with brick and glazed elevations and will be used as a training school for those involved in the food and hotel service industries.

It is intended that the building will be available for public use thus providing students with true "on the job" training.

The contract includes major roadworks and landscaping. Work has begun and is due for completion in October 1977.

Five for Farrow

FIVE CONTRACTS, with a total value of £2¼m. have been awarded to Howard Farrow Construction.

The biggest, worth £1m. is for extensions and alterations to Queen Elizabeth's Girls School for the London Borough of Barnet.

Other contracts are for a Waitrose supermarket for the John Lewis Partnership at Brent Cross, London (£1m.), for a central kitchen complex producing pre-packed meals for the London Borough of Islington's Social Services Directorate (£353,500), alterations to Barclays Bank at Town Square, Stevenage, Herts, and alterations at Golders Green Road, London, N.W.11 to provide office accommodation for Bank Leumi (U.K.)

Preparing the way

CONTRACTS WORTH about £280,000 for site investigation work at Manama in Bahrain have been awarded to Cementation Ground Engineering.

One contract—a sewerage works scheme—is for the State of Bahrain's Ministry of Development and Engineering Services. Consulting engineers involved are J. D. and D. M. Watson of High Wycombe, Bucks. This work is being undertaken in a joint venture with ARENCO (the Arab Engineering Company).

It is intended to sink a total of 111 boreholes in and around Manama town, the Island of Muharraq and at two proposed sewage treatment works sites.

Apart from the sewerage scheme, Cementation and ARENCO are to carry out a site investigation for the new Sheraton Hotel in Manama involving 26 boreholes down through water to a depth of 20 metres. The hotel is to be built on reclaimed land.

£1m. worth of orders for Pochin

THREE contracts worth over £1m. have been awarded to Pochin.

Work has started on a £527,000 extension to Rudheath Secondary Modern School at Northwich for Cheshire County Council while work is due to start shortly on the first stage of a comprehensive school at Bodedern, Anglesey, for Gwynedd County Council. This will cost £397,000.

The third contract, worth £179,000, is for a vehicle maintenance depot at Gaerwen on Anglesey for the local borough council.

Offshore oil manpower forecasts

MANPOWER assessment methods for the offshore oil industry and the two associated industries of shipbuilding and mechanical and electrical engineering construction have been formulated in a forecasting programme devised by Loughborough University's Department of Civil Engineering.

The Department says it would now like to hear from organisations concerned with the appropriate industrial sectors, who would be prepared to supply basic information of the offshore oil and related industries. In return access would be provided to forecasts of the need for specified skills by region and industry.

The information required (for individual projects costing over £10m.) is the approximate resource usage by craft, both now and in prospect.

More information is obtainable from Professor Geoffrey Trimble or Mr. Peter Morgan, Department of Civil Engineering, Loughborough University of Technology (Loughborough 63171, extension 5161).

English China Clays is experimenting with this inflatable rubber hovercraft for instrument servicing at Lee Moor, near Plymouth. Manufactured by Pindair, of Gosport, Hants., it has an inflatable hull made by Dunlop. The engines are German-designed Rowena Stihls, with direct drive to the plastic-bladed lift and thrust fans. The two-seater Skima 2, as it is called, has a segmented skirt made under licence from Hovercraft Development. This skirt has zips which enable it to be replaced in about an hour. Maximum speed over the micaceous residues on which it has to operate is about 35-40 knots.

£3½m. Saudi cable plant

MOTT HAY and Anderson International has been commissioned to design and supervise the construction of a £3.5m. copper wire manufacturing plant on the Industrial Estate, Jeddah, Saudi Arabia.

The factory will cover an area of about 13,000 square metres and will produce medium- and low-voltage insulated copper cable. It is to be built for the Saudi Cable Company.

Sewerage schemes

THE CIVIL engineering division of Miller Buckley Construction has been awarded two contracts with a combined value of £3½m.

The largest, at Milton Keynes, is the £2.1m. Loughton Valley trunk sewer for the Anglian Water Authority and is scheduled for completion in 14 months. The other contract is the third stage of the Swan Lane sewerage scheme for the City of Coventry, and is valued at £1.4m.

Products information system

A NEW guide to building products available in the U.K. is announced to-day by Barbour Index. It is intended mainly for architects, consulting engineers, quantity surveyors and others involved in selecting equipment, materials and fittings.

The guide will be known as the Barbour Compendium of Building Products and will be in three main parts. The first will be an alphabetical index to every type of building product, whether general or specialised. Complementary to this will be an index to companies manufacturing or marketing building products in the U.K., accompanied by their trade names.

These two indices will be cross-referenced to more detailed illustrated information on individual products, to provide the basic data necessary for the process of initial selection—properties, performance, cost guide, etc. The Compendium is not intended to fulfil the more elaborate information needs which arise at the later detailed planning stage, these being met by the existing Barbour Index libraries, by manufacturers direct and through builders' merchants.

It is planned to distribute 20,000 copies of the Compendium in September, 1976.

Barbour says a company set up last January to market the system in South Africa is already assured of a good profit in its first year of operation. Another company, in Canada, is launching the system there simultaneously with its introduction to the U.K.

Negotiations are also in progress with potential partners in Japan and Brazil. Opportunities in other EEC countries, the Far East and South America are being investigated.

The method chosen by Barbour to market abroad is the formation of jointly owned companies in the countries concerned. Each partner has 50 per cent. of the shareholding and the profits, Barbour providing the specialist knowledge and expertise and the local firm contributing all the capital.

In South Africa the partners are Horters of Johannesburg, while in Canada the link is with Southern Press of Toronto.

More details about the system can be obtained from Barbour Index at New Lodge, Drift Road, Windsor, Berks. (03447 4121).

Woodwool cement partition

A RANGE of woodwool/cement panels for use as wall linings or partitioning in domestic, industrial and commercial buildings has been introduced by Woodcemair, 46 Sheen Lane, East Sheen, London, S.W.14 (01-876 1142)—a Torvale Group Company.

Available in a range of Imperial and metric lengths in a standard 600 mm width, the Woodcelip wall lining panels have a Class "O" fire rating. The interlocking panels are unaffected by climatic changes and are resistant to chemicals and other corroding agents. They cut easily and can be rapidly erected by unskilled labour, vertically or horizontally up to a height or length of 4,000 mm, without intermediate support, says the maker.

A panel of 55 mm thickness is stated to have about the same insulation value as 356 mm clay block, 710 mm brickwork and 864 mm concrete.

Sound absorption is said to be 80 to 90 per cent., depending on frequency with a sound reduction index of up to 52 dB (average) where a pre-screeded finish is used. The panels are 50, 75 and 100 mm thick, with various factory applied surface finishes. A range of galvanised channels, fixings and other accessories is available.

Controlling the costs

RENDEL Palmer and Tritton has been retained by the Offshore Supplies Office, Department of Energy to watch over the costs of the development by ANDOC of the oil platform construction site at Hunterston in Scotland.

This is the second job of this nature for the firm which is currently carrying out a similar task for the Government on the SPC(S) development at Portavadie.

Reaching up to the lights

AN access platform has been built for Humberside County Council for maintenance duties on motorway lighting. It is basically a Simon hydraulic platform which carries men and tools up to a working height of 18.2 metres (60 feet).

It is mounted on an Albion Chieftain chassis and equipped with a workshop cab containing work bench, wash basin with running hot water, toilet, Calor gas supply and storage compartments for lamp replacements and cleaning gear.

The vehicle carries a 100-gallon cold water container which is connected by pipelines to the operators' working cage for lamp cleaning. The cage is also fitted with 24-volt lighting from the vehicle's batteries and a compressed air supply.

£¼m. order for Atcost

BASE plates for 17½ miles of tunnels to be driven beneath the North Pennines as part of a £50m. Northumbrian Water Authority scheme to increase the supply to the North-East industrial complex are to be supplied by Atcost (Northern). Value of the order is £¼m.

The units will form the tunnel base upon which will be laid rails to carry the skips bringing rock away from the drilling face. Each unit weighs ½-ton and deliveries are scheduled at 450 tons a month for the next 3½ years. The contract was placed by Tyne-Tees Tunnelling, an Anglo-German consortium.

Problems of ill winds

A NEW book just published by the Building Research Establishment, "Wind environment around buildings," by A. D. Penwarden and A. F. E. Wise, is now being offered to architects and planners.

The book follows research at the Building Research Establishment and aims to explain the causes of uncomfortably high wind speeds around tall buildings. Methods for predicting and classifying wind conditions and ways in which pedestrian areas can be protected are suggested.

The book is available from the Stationery Office, P.O. Box 569, London SE1 9NH, price £2.50 (postage 13p extra).

Fresh water process

DAVY WATER Engineering has just signed an exclusive marketing agreement with Ionics Incorporated of Massachusetts, U.S.

The agreement is effective in the U.K. to sell and provide technical assistance and information on the Ionics Electrodialysis process for installation throughout the world.

Applications range from the production of potable or irrigation water to feed water for high pressure boilers, cooling or process water, and as feed stock for the electronics and pharmaceutical industries.

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MONDAY, SEPTEMBER 1, 1975

The real case for change

ONE OF THE main themes of the three international meetings which open this week—the World Bank, the IMF and especially the special session of the United Nations—will be a new economic order. The phrase is pretentious enough even when written without capital letters, but it has become convenient shorthand for a range of related aims: the reduction of the disparities in the distribution of the world's wealth; the reduction of excessive fluctuations in world commodity prices; and the ensurance of a steady growth in world trade that would eliminate the violent swings involved in moving from the world's biggest ever boom in 1972-73 to its deepest post-war recession in 1974-75.

Common troubles

Ideally, all three aims would be achieved together and it is in the interests of the developed and the developing countries alike that they should be. The developed countries are unlikely to agree to much of a transfer of resources to the Third World at a time when their own economies are contracting and they are faced with severe domestic problems of inflation and unemployment. Nor are they going to volunteer to pay much more for Third World raw materials at a time when the lack of demand has ensured that such materials are in abundant supply.

It is important that the developing countries should recognise that they are not alone in having difficulties. What is new, however, is that the difficulties of the developed and the developing countries have coincided. There is now a greater readiness by the industrialised countries to accept that the Third World must be helped, and helped more generously—and more systematically—than by the aid programmes and the unfulfilled targets of the past. If the Third World leaders appreciate this change, and if at the same time they can accept that the context for reform must be the sustained expansion of world trade, then it should be possible to begin to build something approaching a new order.

The meetings this week should give some indication of how much co-operation can be achieved. The developing countries have it in their power to destroy all hope of progress. If they press ahead with such irrelevant, and indeed unconstitutional, aims as the suspension or expulsion of Israel from the UN, they can hardly expect to make a contribution either towards a more permanent settlement in the Middle East or towards a new economic order. The choice is in their hands.

It is sometimes said that in all these matters concerning relations between the developed and developing countries it is a question of reform or revolution. That is not strictly true. Very few of the developing countries have the power to make a revolution except internally, and even then—it often turns out—not very effectively. The idea of them all combining to form one massive raw materials cartel to compel the developed countries to act has no serious validity. In most cases they do not even have the raw materials. More accurately, it is a question of reform or no reform, and the case for reform is a moral one.

Mr. Wilson

In the immediate future, the most pressing problem for the industrialised countries is to come out of the recession in such a way that the next boom will not be accompanied by even higher rates of inflation leading to yet more unemployment at the end. By now most of the reflationary measures required to bring this about have probably been taken. Success here would also be of benefit to the developing countries in that it would create a greater demand for their exports. While waiting for the upturn, however, is an appropriate time to plan reform. What is required from the industrialised countries is a commitment to reducing disparities while raising overall wealth, and to exploring the best ways of doing it. These are not necessarily the ways of the extreme Third World, nor of Mr. Wilson and his commodity pacts.

Wanted—a large majority

THE MAJOR issues that have divided the Trade Union Congress and Government in the recent past—especially the Industrial Relations Act and the question of EEC membership—are now settled. It does not follow that this week's annual meeting will be a tame or unimportant occasion. The present state of the economy, and particularly the rapid rise in both unemployment and retail prices, will naturally occupy much of the delegates' time, and the high point of the meeting will be the vote on whether or not to back the policy of voluntary pay restraint with its ceiling of £6 a week.

Yet the officers of the TUC and the majority of large trade union leaders—notably Mr. Jack Jones—have played so active a part in working out the present policy in co-operation with the Government that its reluctant acceptance is almost assured. A few unions are likely to maintain their wholehearted opposition to any interference with the process of free collective bargaining, and some others may well express their opposition in principle while emphasising their readiness in practice to accept the vote of the majority. The miners' endorsement of the policy by a three-to-two vote has clearly weakened the potential opposition. There is a good chance that it will not only be carried but carried by a large majority.

Limiting demands

The bigger the majority the better, partly because this will increase pressure to observe the policy, partly because it will make it easier for the General Purposes Committee to resist demands that would undo the good to be gained from pay restraint. It is quite inevitable, for example, that there will be widespread demands from delegates to counter the rise in unemployment by a general reflation of home demand or by import restrictions, and that some unions—especially those who represent workers in the public sector—will seek to oppose cuts in public sector expenditure.

What union leaders can hope to do is to keep the demands of delegates within reasonable bounds. They can point—without any exaggeration—to the way in which the Labour Government has met TUC demands and argue that it has introduced voluntary pay restraint for the specific purpose of letting unemployment rise no higher than circumstances demand: measures to combat it should be specific and selective.

First task

In an ideal world, no doubt, the delegates would also be devoting some of their attention to the problems of what the Prime Minister calls "re-entry," the means by which the present strict and inflexible limit on wage increases is to be modified next summer. No doubt Ministers and some trade union leaders have already given some preliminary thought to this problem. They will have ample opportunity in the months ahead for bringing it to the notice of ordinary trade union members and discussing, perhaps through the monitoring machinery, the best means of tackling it.

But for the immediate future their task must be, first, to secure as large a majority as possible in favour of voluntary pay restraint and, second, to ensure that the wishes of that majority are observed by member unions, even when firms may be prepared to offer more than the ceiling increase for the sake of industrial peace. The pay policy may be a subsidiary part of the economic programme needed to bring inflation under control. It is nevertheless very much in the common interest that it should be successful.

With unemployment likely to reach 1.2m., the French Government this week announces another set of reflationary measures

How France could not have its economic cake and eat it

From ROBERT MAUTHNER, in Paris

THE FRENCH, almost as self-contradictory as they are ready to contradict others, have once again amazed the world this summer. During "the worst recession since the Second World War" and amid dire warnings from both the employers' organisations and trade unions about the disastrous economic situation which will face them in the autumn, 26m. of them went away on holiday. That figure represents one in every two French men and women and it is 600,000 up on last year. Some experts even say that it substantially underestimates the real number since it does not take into consideration those who lazed the summer away in their "secondary residences" or those who did not stray further afield than 150 kilometres from their own homes.

It may be that, after years of prosperity, when the economy was growing by an average of between 5 and 6 per cent. annually, there was still something to spare in everybody's kitty or that people wanted to have a last spree before the dark ages, which they have been promised by the Patronat (Employers' Federation) and by the unions, finally engulf them. France, during these sunny August days, does not appear to be on the edge of an abyss, though that does not necessarily mean that the economic and social problems facing the country should be minimised.

Matter of dispute

Quite how serious and intractable these problems are is a matter of some dispute between Government, Patronat and unions, none of whom have what could be described as a perfect track record as economic forecasters or analysts. If a hat were ever perched on the bristly crew-cut of M. Jean-Pierre Fourcade, the amiably self-assured French Finance and Economics Minister, it would have been eaten long ago by its owner. For, flying in the face of much more cautious OECD predictions, M. Fourcade was still forecasting a rise in GDP for 1975 of something like 4 per cent. early this year. This was later revised downwards to 2 per cent., more in keeping with the figure in the OECD's six-monthly Economic Outlook published in July. The latest ominous noises coming out of the echoing halls of the Finance Ministry in the Rue de Rivoli, however, indicate that officials are now expecting a negative growth rate of 2 per cent.

The fact is, as the experts of the Rue de Rivoli now shamefacedly admit, that they were highly over-optimistic about the long-expected upturn in the West German and American economies and that, for many months, it was considered that France would be able to avoid introducing a full-scale reflationary package of its own. Even now, as the traditional September "rentrée" of holidaymakers approaches and the Government is putting the final touches to its economic recovery plan, which will be announced on Thursday, arguments about whether "the end of the tunnel" has been reached continue to be bandied between Ministers and the professionally pessimistic President of the Patronat, M. François Ceyrac.

M. Jean-Pierre Fourcade, the French Finance and Economics Minister (left), whose forecast rise in GDP for 1975 has had to be revised, finds its difficult to convince M. Francois Ceyrac, president of the Patronat, the employers' federation, that "the end of the tunnel" has been reached.

Taken by themselves, the main economic indicators hardly provide conclusive evidence of an imminent upturn, though they paint a slightly better picture of the economic climate than a few months ago. On the debit side, there is rapidly rising unemployment, now nearing 900,000 and expected to jump to something like 1.2m. within the next two months or so when about 600,000 school-leavers come on to the market. Ample proof of the financial difficulties facing companies is provided by falling profits and the sharp increase in the number of bankruptcies. In the first half of this year, bankruptcies rose to more than 8,000, as much as 24 per cent. up on the corresponding period last year and 60 per cent. higher than during the first six months of 1973.

Though there has recently been some improvement in industrial production, the rise in the June index—the first since January this year—only brought it back to its level in April and production is still running more than 10 per cent. below mid-1974. Industrialists and businessmen remain pessimistic. Questioned by the National Institute of Statistics before they left on their summer holidays, only 13 per cent. of industrialists said they were working at full capacity compared with 15 per cent. three months previously, the lowest percentage recorded since 1962.

Investment intentions for 1975 have been progressively revised downwards throughout the year and the latest forecasts point to a drop in industrial investments of as much as 8 per cent. in between 1974 and 1975.

The current depressed situation cannot be attributed entirely to the world economic recession. It is also the inevitable result of the stringent anti-inflationary plan introduced by the Government almost immediately after it was formed by the newly elected President, M. Valery Giscard d'Estaing. At that time, inflation was running at an annual rate of something like 17 per cent. and alarmist warnings about how France was being priced out of the world's markets were all the rage.

To give credit where credit is due, M. Fourcade has been unexpectedly successful in bringing down prices. Although he has not yet achieved his personal target of bringing down inflation to the German level of about 6 per cent. per year, it is currently running at an annual rate of less than 10 per cent. and the latest monthly rises in the consumer price index have all been around 0.7 per cent.

Another success story has been foreign trade, though much of the credit here must go to the slack economic situation which has led to a very sharp reduction in imports—16 per cent. lower in July than during the same month last year. Nevertheless, the figures are there for all to see and admire: a cumulative surplus for the first seven months of this year of Frs.7.3bn. (about £800m.) and exports, though down, are down by much less than might have been expected in the present world economic climate. Last month, when they totalled Frs.19.8bn., they were only marginally lower than the July 1974 figure of Frs.20.3bn.

The Government's big failing is that it thought it could achieve all this without a sharp downturn in economic activity and a dangerous rise in unemployment, now nearly double its level at this time last year. It has had its cake, but it has not been allowed to eat it. In common with the OECD Secretariat, which wrote in its survey of the French economy in January that its forecasts were "of an economy which should maintain a relatively sustained level of activity and at the same time benefit from some easing of inflationary pressure and an improvement in the external balance," the French authorities mistakenly thought they could get away with only a moderate stimulus to demand.

In the event, they adopted several successive reflationary "mini-packages," none of which had the desired effect. Even the last one at the end of April which since it injected some Frs.15bn. into the economy cannot be considered to be as "mini" as all that, singularly failed to boost economic activity, though some experts say that its effects will not be felt until the autumn. In spite of all this, the Government, still haunted by the inflationary spectre, initially thought only in terms of another Frs.15bn. package to be implemented more or less simultaneously with similar German measures in the early autumn.

It has finally decided to pump much more into the economy—latest reports speak of as much as Frs.25bn.—for several reasons. In the first place, the recent meeting of the Finance Ministers of the nine Common Market countries brought to light considerable dissatisfaction on the part of Britain and some of the smaller members at the limited scale of the measures which the Germans and the French were preparing to take.

The French themselves probably feel that the Germans could have given an even greater boost to their economy than the D-Mark 5.75bn. programme just adopted. West Germany, after all, is France's main trading partner and the single most important outlet for its exports. This means that French economic revival is largely dependent on the success of the German measures and there are good reasons for thinking that the French, having failed to get more out of Bonn, then decided they had no other choice but to expand their own package.

Domestic factors

That, at least, is one aspect of the problem. The other is that domestic factors also played an important part in the Government's decision to opt for a bigger package. Given the great summer hiatus, which is so much more complete in France than it is elsewhere in Western Europe, the autumn is always a particularly difficult time for the Government. Having spent a frustrating summer looking at their uninterested members sunning themselves on beaches round the country, the left-wing trade union leaders are that much more eager for action when they come back in September to co-ordinate their policies.

This year they should have a hey-day, at least verbally. With the prospect of more than a million unemployed and with reports of impending lay-offs coming in daily from nearly all regions of France, the Government presents an even better target than it usually does, and President Giscard knows it only too well. That is why he asked his Prime Minister, M. Jacques Chirac, to invite the Socialist and Communist Opposition leaders for consultations on the Government's impending reflationary measures.

Predictably, the invitation was turned down by both the Socialist and Communist leaders, M. François Mitterrand and M. Georges Marchais, who are much too astute to fall for such a naive attempt to associate them with the Government's economic policy. The only other way for the Government to defuse public criticism at a time when it is particularly vulnerable is to adopt the kind of reflationary measures which the unions and employers have been asking for all along.

The method which the authorities appear to have chosen—very few hard details have so far been released about next week's package—is to inject a large proportion of the total sum, maybe as much as Frs.10bn., into public works and infrastructure projects which have been planned for a long time and which can therefore be carried out almos immediately. Such projects a the Rhône-Rhine canal, a high speed train service between Paris and Lyons and new motorways come under this heading State-subsidised housing is als due to be given a shot in th arm.

Remedial action

A boost to consumption, lon demanded by the unions an employers, is likely to be pr vided by a relaxation of hi purchase terms, and bank len ing rates will almost certai be lowered.

The key to the Governmen measures will be how quick they can show results. Th prospect of more than a unemployed is daunting enoug in any country, but in Franc where memories of the Ma 1968, student revolt are sti fresh, Governments remain pa ticularly sensitive to the po tical dangers presented by suc a huge mass of workless. Th fact that a large proportion them will be young schoo leavers, many of them imbue with Left-wing ideas, is a added incentive for taking qui and effective remedial action.

It may be that the dangers serious social unrest in a cou try which, over the past fi years, has become one of t most prosperous in the worl are habitually exaggerate There are some who claim th French public opinion is no able to accept with relati equanimity a level of unempl ment which, in earlier yea would have sparked off stre riots, if nothing worse. This still a theory, however, whi few politicians would care put to the test and the prese Government could yet regr that it did not take measur earlier to combat unempl ment.

MEN AND MATTERS

Economic argument

The old left-right splits that dominate so many trade union affairs have emerged once again in Blackpool where TUC delegates have been assembling over the week-end for their annual congress. The subject this time is who will take on one of the TUC's most important jobs and become chairman of its 14-man economic committee, succeeding Lord Greene whose eight years in the office ends this week following his retirement as general secretary of the National Union of Railwaymen.

Along with five other TUC leaders the new man will also be a member of the National Economic Development Council and may some time be in line to inherit Greene's directorship of the Bank of England.

The automatic choice would be Lord Allen of the Shopworkers, an elder TUC statesman who, however, in these heady left-wing days, looks rather staid and elevated to one or two of his colleagues. He has clashed before with the influential Jack Jones who might prefer to go for the more left wing president of the Boilermakers, Danny McGarvey a blunt and outspoken Scotsman who is renowned for having one of the loudest conference voices in the business. Jones himself is not thought to be in the running, partly because he is already chairman of the TUC's international committee while Hugh Scanlon of the Engineers is not senior enough in TUC terms even if his union would allow him to take the job.

Then there is Tom Jackson of the Post Office Workers whose problem is that his ability is over-shadowed in this instance by his outspoken criticisms of the left. This leaves the quiet-spoken David Basnett of the General and Municipal Workers who is anxious to cross himself off the list, George Smith of the Construction Trades who was forced yesterday by his union to oppose the £6 policy, and Cyril Plant of the Inland Revenue Staffs who is ruled out because he is in line to be the next TUC chairman.

From this list of potential runners the favourite is probably either Lord Allen or McGarvey, depending on the influence of Jack Jones. But one man is absent from Blackpool while the initial manoeuvrings for this post go on: Lord Greene has decided to celebrate his last Congress by staying away and visiting a railwaymen's international meeting in Vienna instead.

Great de-bait

People will steal anything these days it seems, and someone somewhere is gloating over a haul of 500 gallons of maggots. In fact the thief made no mistake, and the theft is just one aspect of the crisis which is hitting Britain's favourite sport of angling: maggots are in desperately short supply.

The Angling Times reports that all over the country rationing has had to be introduced for the favourite bait of many fishermen, while the unscrupulous are prepared to pay well over the odds to get supplies on a flourishing black market. At one recent fishing match the competitors almost came to blows over the allocation of the limited supplies of maggots available.

Maggot farms around the country produce anything between a few hundred and several thousand gallons of maggots a week—and the value of those stolen from a Midlands firm recently is put at £1,500. However, most farms are down to 50 per cent. of their normal production at best, and the worst hit are managing little more than 10 per cent. of their usual output.

The trouble it seems is the prolonged heat wave which the country has experienced over the past few weeks. On the maggot farms the flies have been dropping like, well, flies, and one Yorkshire firm has lost 90 per cent. of its potential maggot parents. Even this is not the end of the problem: such maggots as are being produced are proving to be finniky eaters. Apparently the weather has been too hot for even a maggot to eat, and so even the limited ration that anglers are able to get from their regular suppliers usually turns out to contain what is known in the trade as "scruffy maggots."

Tractor deal

Douglas Walton, who took over last April as chairman and managing director of Thos. W. Ward when the redoubtable Arnold Carr moved on to the presidency, breathed a sigh of relief yesterday and said: "This has taken a load off my mind."

He was referring to the sale of Ward's troubled Marshall-Fowler subsidiary to British Leyland's Aveling Barford business. Aveling concentrates on making road-making and earth-moving vehicles, and is profitable. M-F makes a well-respected range of crawler tractors but has lost £2m. (before tax relief) over the past three years and the rate of the loss was accelerating.

Ward announced in July that M-F would have to be gradually closed down. Walton explained last night: "It was a drain on our resources and had been for a long time. Many people had been saying that Ward should do something about its engineering businesses, and this is the start."

In view of this, the situation has been resolved in a remarkably satisfactory way. "There is something in it for everyone," says Walton. His company gets £3m. — much more than it could have expected if it had run down M-F and realised the assets gradually—and gets its money much more quickly, while Aveling Barford gets urgently needed space for expansion. Meanwhile, the town of Gainsborough, Lincolnshire, where M-F employs around 700 out of a working population of 11,900, has been saved from a really nasty addition to its unemployment problem: the current rate there is 4.6 per cent.

Over at Leyland Special Products, the division which takes in Aveling Barford, managing director David Abell was also talking about there being "something in it for Britain." because M-F is the only British-owned manufacturer of crawler tractors.

Deflowered

Full marks, in these days of austerity, for the Inner London Education Authority which has nobly pre-empted the Prime Minister's call for retrenchment. A recent edition of the Municipal Journal records that ILEA's Productivity Services Unit has reduced the number of full-time flower pickers for school nature studies from four to three.

Observer

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FINANCIAL TIMES SURVEY

Monday September 1 1975

AUSTRALIA

The end of the Labor Government is regarded by most as a matter of time. An active and unorthodox administration, which fought to a standstill a bitter war with its Treasury officials, is likely to be succeeded by devout conservatives.

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Final days of an era

By Peter Dunmy

THE MOOD in Canberra this winter—and perhaps to a lesser extent, the mood in Australia as a whole—is that Gough Whitlam's Labor Government is done for. Senior civil servants who have experienced only one change of government in a quarter century now have the unfamiliar air of caretakers, patiently waiting for their masters to tidy up and depart for the political wilderness whence they came three years ago.

This includes all kinds of people: advisers in the Prime Minister's department known to be sympathetic to the Government, whose own sojourn in the corridors of power will terminate with the end of Labor rule; officials who have faithfully and unquestioningly served Mr. Whitlam's Ministers; and a third class of public officers, symbolised by mandarins of the Treasury, for whom Labor's defeat will be an exoneration if not a bitter victory.

Without taking sides, it is almost impossible to describe the Labor administration in terms other than as a struggle for ascendancy between the mandarins and the Ministers in Australia (called, collectively, the Ministry). From the first the Government, though by no means doctrinaire, had a tendency to adopt unorthodox policies. Up to a point this suited the Treasury, which for instance advocated the revaluation of the dollar in December 1972.

But Treasury was not enthusiastic about the determined spending on which the Government embarked, nor the remedies it selected to attack inflation—such as across-the-board tariff cuts and prices justification machinery which followed in 1973, instead of traditional monetary and fiscal policies.

The whole experience makes a fascinating case study, which may profitably be pondered in all democracies. How far can elected leaders get their way? Or are the bureaucrats ultimately the government, in the sense that they will in the end get the upper hand even though temporarily brushed aside?

In Australia the contest was at all times unequal. The Cabinet could ignore the Treasury, but it could produce no substitute apparatus of comparable experience and brain-power to do the job from which the mandarins were displaced.

This was not for want of trying. From the outset Mr. Whitlam sought to interpose independent technocrats and academics between Ministers and their departments. Many such able men have served on interdepartmental committees and have had the satisfaction of seeing their recommendations adopted.

Deficit

However, in the final analysis it has not worked. There is no getting away from the fact that somehow or other there has been economic mismanagement culminating in unprecedented unemployment, inflation and budget deficit, and this more than anything is what is bringing the Government down.

Both sides would probably say the confrontation, if not the result, was unavoidable. And both may appear to have had right on their side.

In a nutshell, the Labor Party's case is that the Treasury, given its way, would have carried on much as it had done under successive Liberal Governments—suggesting sound economic management but also that Australia would have continued to lag behind much of the world in welfare arrangements, while inefficient industries would have been allowed to plough on unconcernedly behind high walls of protection.

The Treasury, for its part, only too clearly had reason to fear that Labor would fail to comprehend the full economic consequences of the Party's programmes, which soon proceeded to sprout like sunflowers in a sandbox, never to make a tidy garden.

The mandarins must have cautioned the Government repeatedly, to which the politicians reacted by consulting them even less, until eventually the Treasury may have decided to let the Ministers make their mistakes and pay the price.

In fact the Treasury seems to have gone further, again with the noblest of motives, namely its view of what served the country's essential interests. There is a suspicion the mandarins actually tricked the Government into imposing a much tougher squeeze on the economy last year (May-June) than the Cabinet would have agreed to consider. There is also little doubt in Canberra that the Treasury contributed to the Ministry's embarrassment in the recent overseas loans affair.

Breakdown

The loans controversy appeared to demonstrate the final stages of breakdown between these desiredly complementary branches of Government.

On the one hand, members of the Cabinet arrived at the seemingly madcap consensus that it would be useful to borrow \$A3bn. (or some other large sum) on world markets, no doubt because they thought it would advance the Labour Party's programmes (for things like a uranium enrichment plant) and put paid to complaints and warnings that Government policies were frightening away much-needed foreign risk capital.

On the other hand, Treasury opposed the scheme, but predictably failed to persuade Ministers that massive borrowings were quite unnecessary for a country with no actual or immediately foreseeable balance of payments needs.

Thereafter Treasury officials reputedly helped ensure that unorthodox Ministerial activities became public knowledge, which made the Government look silly and set off the chain of events which were to cost Dr. Jim Cairns his jobs as Treasurer, Deputy Prime Minister and Deputy Leader of the ALP.

However, if the Government is finished, it will not be as a result of such episodes, but is more likely to be because voters have lost the taste for experimentation and reform. That would be a natural result of the prevailing economic instability.

What is certain is that Labour under Mr. Whitlam will always be the party of reform. That is the banner under which it campaigned in 1972 and again in May 1974 and no doubt is how Mr. Whitlam himself would wish it next time even if, as it appears, the Government has temporarily run out of radical ideas.

The opposition labours under no such disability. The coalition of Liberal and National Country parties is now led by a man who personifies, even in his physical appearance, rocklike solidity. That is Mr. Malcolm Fraser, the one-time Defence Minister who successfully challenged Mr. Billy Snedden in April, and whose reputation for conservatism has been nothing if not enhanced by his failure to espouse serious causes since then.

Mr. Fraser is manifestly the man of the hour. He would not necessarily be a popular head of government for long, but there is no doubt he comfortably wears the mantle of Prime Minister-designate now, in a way that his predecessor never succeeded in doing. In all probability that is because Mr. Fraser merely has to be himself, where in Mr. Snedden's time it appeared necessary for the Liberals to compete with the Government as originators of progressive policies.

There are strong feelings in Australia, particularly among the political pundits, that Mr. Fraser should not seize the first opportunity to force a general election (which will arise almost any time, because the opposition controls the Senate which has power to cut off the Government's money, for instance by blocking the Budget).

The argument runs on two lines, one being that Labor would again campaign successfully (as last year) on the sheer obstructionism of the opposition; and the other that the economy is in too much of a mess for anybody in his right mind to take on.

Nevertheless, it seems that if Mr. Fraser is worth his salt he will give the country the chance to decide whether it wants a change, probably this year and certainly before the Government's term expires in May 1977.

Achievement

Meanwhile, though it presently looks a pushover, that does not mean Labor has been devoid of achievements, or that Australians must regret their decision to get rid of the old Liberal-Country party firm in 1972.

Two decades of coalition between forces which could agree best when the decision was to do nothing, which in addition saw its survival depending on the goodwill of a third party (Democratic Labor, which at all times exerted a disproportionate power through the transferable preference voting system), combined to yield a kind of mindless conservatism almost without parallel in the modern world.

Perhaps Labor's greatest achievement is that it has restored an intense level of public discussion about the issues of the day. Whether it has been truly open government is perhaps another matter, but at least there is no doubt that Mr. Whitlam has seldom moved

CONTINUED ON NEXT PAGE

Goodbye to economic bliss

AUSTRALIANS talk about their economy with fascinated disbelief. And well they may. Until three or four years ago, it could fairly be described, and was, as the most stable in the world, having for a full generation achieved one of the highest rates of employment and one of the lowest rates of inflation. It was, admittedly, a low growth economy relative to the large sums of capital put in, but Australians were enjoying a steadily rising standard of living and apparently looking forward to an indefinite continuation of this blissful state of affairs. It required them to do little besides allow the bulldozers free rein to scoop out the iron, coal, beach sands and bauxite.

Now unemployment is higher than it has ever been, above 4.5 per cent.; prices are rising faster than ever before, by an annual rate approaching 20 per cent.; GDP growth is barely positive any more; the flow of capital into productive resources has fallen drastically and the Government is having to conduct its operations by previously unheard of (in Australia) resort to the currency printing presses.

It has the appearance of a continuing nightmare. Unless wage pressures moderate, prices will continue to rise and investment will continue to be frightened off. Large Government expenditure is partly (and avowedly) intended to counter the unemployment, and can therefore be seen as underpinning the labour market which means adding weight to workers demands. Thus appears the vicious spiral, with no prospect that enough goods and services will appear on the scene to satisfy the burgeoning consumer demand.

Haunting

There is no doubt that this is the spectre haunting many businessmen and their bankers. They say that the reason for the lack of investment in new production facilities is that inflation has driven money to the short end of the financial markets, so that it becomes prohibitively expensive to borrow long. This is strictly and narrowly true.

But the real reason why the stock market is incapable of supporting capital issues is something else. The essential truth is that business sentiment, which is a crucial factor in the total equation, has gone completely to pot. Its condition is captured in the frequently heard businessman's opinion that "Australia is now in the same (appalling) state as Britain."

It is relatively easy to see how this situation arose. In many ways it is a story of the Labour Government's inability to do quite simple economic sums.

Labour set the action rolling in its earliest days by a combination of (a) announcing large increases in public expenditure which (b) it failed to recoup in taxation or in any way neutralise and (c) supporting increased wage claims at the 1973 minimum wage hearings of the Arbitration Commission.

It overdid this to such an extent that the economy was seriously out of kilter by the beginning of 1974.

Meanwhile it condoned and in some cases conspired in several slams at business confidence, which every businessman can tick off in his sleep. As recited, these were the two autonomous revaluations of the Australian dollar (by 7 per cent. in December, 1972 and 5 per cent. in September, 1973); the 25 per cent. cut in tariffs (July, 1973); setting up of prices justification machinery (August, 1973); enactment of tough trade practices legislation, and finally (in mid-1974) a fearsome credit squeeze.

In point of fact, the Labor Government has never been deliberately vindictive towards the business community. Its sin, rather, was in taking the private sector too much for granted—that is, failing to foresee the cumulative repercussions of its individually legitimate actions.

It must also be said that some things businessmen complain of were the product of the civil service and central bank. That is particularly true of the devastating credit squeeze which descended a year ago.

What counts is that the combination proved more than sufficient to transform boom into stagflation, and start business off down the road to believing that the situation might be beyond repair.

From outside Australia that must seem incredible. But there is no doubt that formidable difficulties had begun to show up about this time last year.

Surely the biggest was that the labour market was revealed to be hopelessly unorganised to cope with life in an inflationary climate. Workers are well set up to push their individual interests through their unions, but the unions are too independent of each other for the labour movement to be usefully regarded as a collective entity. Hence there is little use looking to labour for self-restraint (what employers call "a responsible attitude"), or to see it as a credible partner in a social contract. Britain's TUC is in fact a more effective-looking body from these points of view than the ACTU.

At the same time Australia's wage regulating machinery, including the in many ways estimable Arbitration Commission, is designed to arbitrate between disputing parties and to fix minimum wages, not to put a ceiling on earnings.

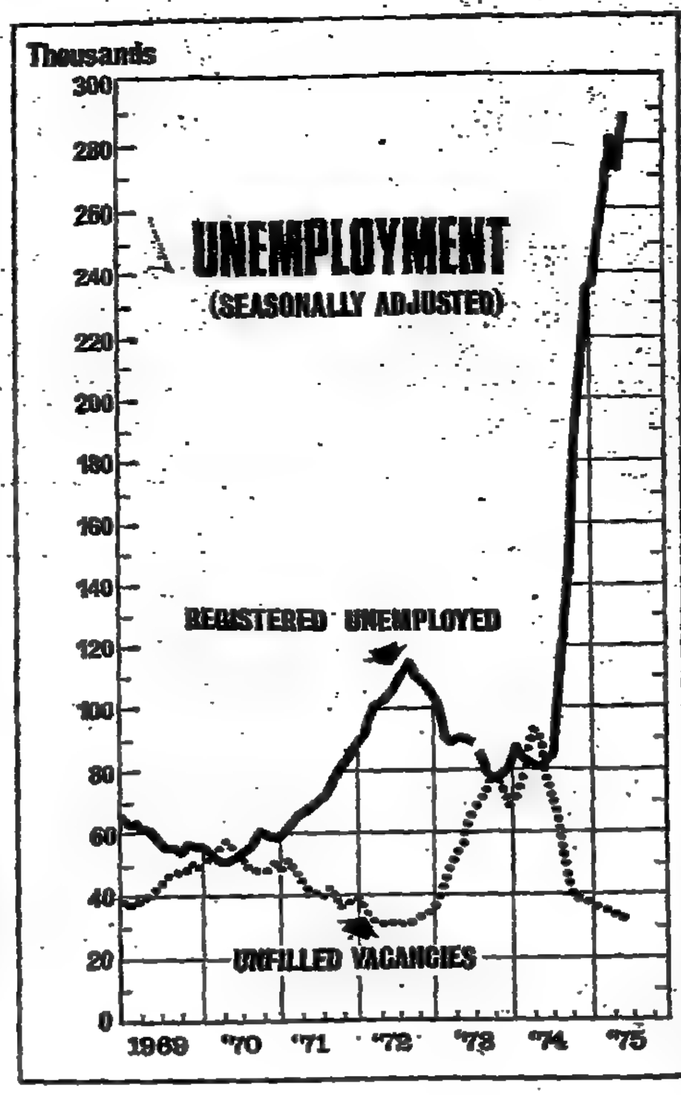
Sensible

In this context the Government's new wage indexation policy, likewise the tax indexation which is being held out as a reward for union moderation, is a sensible attempt to restore order to a bear garden. However since wage indexation merely promises workers that their earnings will keep abreast of inflation, it in one sense only institutionalises inflation, and is in no sense a drastic cure.

Thus there has been no alternative to what Treasury officials privately call "breaking the monopoly power of the unions," by which they mean creating so much unemployment that workers individually and collectively lose their nerve and stop asking for more money beyond the economy's ability to bestow real wage increases.

The key to this policy has been to exploit the lack of confidence in employer circles, with a view to strengthening employers' reluctance to concede wage demands, and at the same time causing employers to lay off workers or cut down recruitment programmes.

In fact there is no doubt that the burden has fallen heavily on the corporate sector and of course on those 215,000 who do not have jobs. Profits will be sharply down this year. Meanwhile, wages, of most of those lucky enough to have work, are still apparently well ahead of the consumer price index. At end-March average wages were 28 per cent. higher over the previous 12 months, against 17.6 per cent. for consumer prices.



This roughly is where the situation now finds itself. It is in many respects an awkward moment. It is no use pretending the Labor Government has been fully in support of the strategy, or even that it has fully known what that was. It is even probable that the Treasury hid from its political masters the full intensity of the squeeze it inaugurated last year, a squeeze which, as bankers still recall in awed tones, caused interest rates to double in 30 days (many people in and out of government appear to believe that the Treasury miscalculated; but the more likely explanation is that it knew the prescription would be politically unacceptable).

It did in fact prove politically too much, leading the Cabinet to take measures to cushion the rising unemployment, thus pushing up the deficit.

The net results have merely to be recorded. At the end of April unemployment reached a record 4.72 per cent. of the labour force, more than tripling within a 12-month period, from around 80,000 to 281,000 (seasonally adjusted). In the following three months the total appeared to stabilise but then crept higher again—this despite government-sponsored relief works (the regional employment development scheme) which provided work for 30,000 people at end-June.

Meanwhile the Government ended its June 30 fiscal year with a deficit of $A2.5bn., more than three times bigger than anything previously known, and compared with a small surplus budgeted for last September. Budget spending was 46 per cent. higher than the previous year's.

GDP fell slightly more than 1 per cent. in the 12 months ended March 31, all the decline coming in the non-farm sector (down 1.5 per cent.).

Private capital spending, normally accounting for about one-fifth of gross national expenditure, dropped 6 per cent. in real terms. Consumer spending was virtually static throughout 1974 but has shown robust growth this year, as a result of rising wages and Government pump-priming, but this buoyancy has not so far done anything to restore business confidence.

The only economic variable to look at all its usual self has been the external balance. While the current account (seasonally adjusted) was in deficit in five consecutive quarters up to March 1975, an improvement did set in towards the end of last year and has looked like being maintained. Among other things, exports in the three months to end-May were 29 per cent. higher than a year ago. Meanwhile, though much reduced, there have continued to be net capital inflows for the past three fiscal years. The external situation is therefore not an immediate anxiety.

The latest factors are these contributed by the August 19 Budget speech, the first from Mr. Bill Hayden who on June 5 succeeded Dr. Jim Cairns, who had replaced Mr. Frank Crean at the end of last year.

The Federal Treasurer among other things foreshadowed a bigger deficit than last year's—$A2.9bn. with a net domestic impact of $A2.1bn.—but one considerably reduced from preliminary estimates of $A5bn. by a combination of cut spending plans and selectively higher taxes, mainly indirect. Most direct taxpayers, including companies, were given some relief, despite which total receipts are budgeted to grow by a larger margin (25 per cent.) than expenditure (23 per cent.)—surely optimistic.

Whether this is the right combination is only too clearly not going to be apparent for some time. Mr. Hayden could not be sure that the steam has begun to go out of wage demands. Nor is there any way of guaranteeing that private capital outlays will remain at a low level for the next several months.

But, making these two assumptions, there is no doubt a respectable economic case for another big Budget deficit, such as the out-turn is likely to be, and as Mr. Hayden's Cabinet colleagues told him was essential to avoid sharp increases in taxation and/or drastic pruning of existing spending programmes (either of which would in the circumstances be highly destabilising).

Remove either of the two assumptions, however, and the mixture is in danger of being too rich.

Alongside

Looking slightly further ahead, a revival of private capital expenditure is very necessary, there being no other method by which Australia can resume its economic growth. In present circumstances it is also almost inconceivable that such renewed investment in productive capital could be accommodated in a non-inflationary manner alongside Government spending rising at its present rate. At some stage therefore public sector brakes will have to go on even harder.

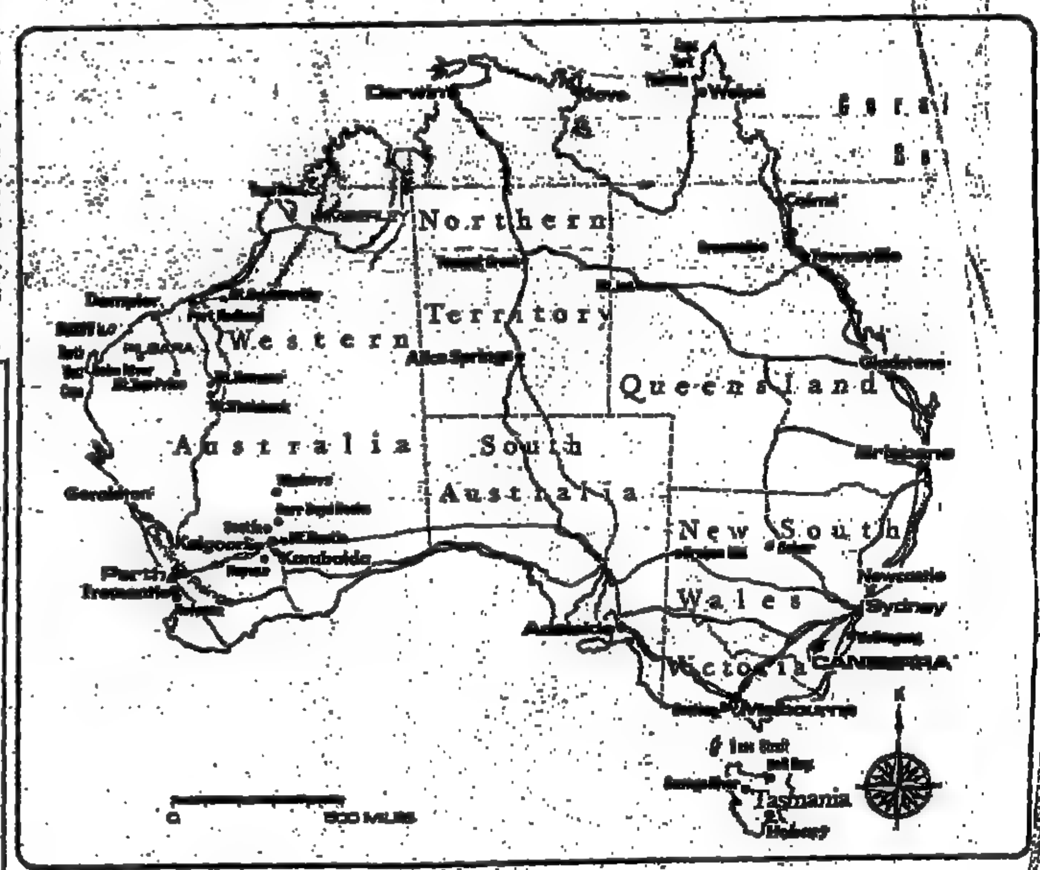
This may seem to call for almost superhuman skill and determination. But with a bit of luck, the event which causes the one may also facilitate the other, the one that immediately springs to mind being a change of Government. That would manifestly be a shot in the arm for the business sector, while at the same time there would be a natural inclination for a new Government to review the expenditure programmes of its free-spending predecessor.

The situation at this moment is that the economy is pulling out of the recession, but the components of gross domestic expenditure are not in the approved proportions (too little going into productive facilities), which if uncorrected can only mean trouble again later on. This makes the recovery unsuitably based. It is also precariously based, in that there is a high rate of inflation, militating against earnest pump-priming by the fiscal and monetary authorities.

The key to what will in fact happen in the next 12 months is held by organised labour, since this is obviously a case where the more restrained the pay settlements, the more scope for other remedies, and the more quickly will the country be able to yield its citizens increased real incomes again. In Australia's case the rewards for moderation stand to be unusually large.

Peter Dunniny

BASIC STATISTICS	
Area:	2,967,909 sq. miles
Population:	13.34m.
GNP (1974): $A50.14bn. (est.)	
GNP per capita (1974):	$A3,759 (est.)
TRADE (1974):	
Imports:	$A8.64bn.
Exports:	$A7.69bn.
Imports from U.K.:	£599.5m.
Exports to U.K.:	£311.5m.
Currency: £1=1.6466 Australian dollars	



Final days

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a foot in proposing legislation without the way being prepared by public inquiries and reports, many of which have been of high quality, with the debate then carried on in the public prints and over the radio and television networks of the Australian Broadcasting Commission, whose public affairs programmes rank among the world's best.

There is unlikely to be speedy reversion to the arrangements (still observable in some States) where half-baked laws, apparently the product of some bureaucratic whim, used to appear mysteriously out of nowhere, often to be promulgated before the public had any precise idea what it was all about.

There are other major and probably irreversible changes for the better. These include decent unemployment benefits; the comprehensive medical benefits (Medibank) which came into operation on July 1; vast expenditure on education; no-fault divorce; and dropping of the high-protective duties by which Australian industry had long been mollycoddled.

It seems no exaggeration to say that "Australian society will never be the same again," quoting Dr. Peter Wilenski, one of the Prime Minister's original backroom boys, now permanent secretary of Labour.

Of course, even the achievements have their imperfections. Medibank will be exceptionally expensive, mainly because the Government was willing to go out of its way to accommodate the doctors. The tariff cuts of July, 1973, can now be seen, even by a prime architect like Mr. Brian Brogan (one of the academic economists on loan to the Prime Minister's department), to have been too sudden and too sharp, so that the blow has had to be softened for some industries (though it is important to note that where protection has been restored it has been done selectively and, theoretically at least, strictly temporarily).

Devaluation last September was another admission of failure.

In some other spheres the Government may seem to have failed to live up to its early promise. The Aborigines have yet to become full citizens, in that they remain both patronised and cut off from the mainstream of society. The cities visibly continue to sprawl. The State Governments have not noticeably been subdued, but on the contrary remain repositories of power capable of thwarting the Central Government.

Centralism

However appearances may be deceptive. Canberra has succeeded in establishing direct financial relations with local authorities over the strenuous objections of the States. Centralism has almost certainly been taken a few steps further, despite the undiminished bravado of Mr. Joh Bjelke-Petersen in Queensland.

Nobody could have expected this constitutional struggle, which involves not only all Australians but also the courts, to have proceeded smoothly. It could not have done, had the Prime Minister been a man of infinite patience and tact.

In fact Mr. Whitlam is a[...] thing but. He has made [...] secret of his annoyance w[...] almost everyone who has [...] agreed with him — includi[...] apart from Mr. Bjelke-Peters[...] Mr. Bob Hawke who is Fede[...] president of the ALP as [...] as general secretary of [...] Australian Council of T[...] Unions, and Mr. Jack C[...] former speaker of the H[...] of Representatives who fo[...] himself summarily sacked.

This is not an attractive [...] of Mr. Whitlam's chara[...] However, there is no d[...] that it has taken remark[...] qualities of leadership to [...] a Government with a Ca[...] elected by party caucus [...] having constantly to [...] caucus pressures into acco[...]

Haughtiness and [...] handedness have not been [...] Whitlam's main faults. W[...] he has ultimately fallen [...] as Mr. Fraser has been [...] enough to point out to him [...] been in his sheer ignoran[...] and lack of interest in [...] omic affairs.

At least this is what ha[...] him most dearly. It [...] worlds for his political c[...] and nous (one of his fa[...] words) that he has in th[...] few months, when all [...] have seemed lost, rall[...] deploy Labor's best m[...] the two crucially im[...] portfolios (Mr. Bill Ha[...] the Treasury and [...] James McClelland at [...] and Immigration), both [...] which encountered [...] Party objections. But [...] not look as though he [...] time to save the day [...] ALP.

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Crucial timing of the next election

WITHIN TWO days of the 1975-76 Budget being presented to Parliament this month, the Leader of the Opposition, Mr. Malcolm Fraser, conceded that it was not the launching-pad for his bid to become Prime Minister of Australia.

The Budget was a failure, he declared, but "with the knowledge we have at the moment . . . it would be our intention to allow it a passage through the Senate." Mr. Fraser hastened to add that the opposition parties stood ready to take over Government at any time but a lot of people didn't seem to understand the technicalities of the situation. The technicalities seem to be, judging by Mr. Fraser's interview on television, that the Government could string out the process to the point of making it mid-summer holiday election—and the opposition was not going to be blamed for that.

Talking-point

The timing of the next election, or the alternative formulation "how long can the Government last?" has become the constant, destructive talking-point of Australian politics. Whichever way it is put, the answer lies with Mr. Malcolm Fraser. He is in unchallengeable control of the Liberal Party—and, for that matter, of the coalition opposition with the National Country Party. And the numbers at his command in the Senate make it possible for Mr. Fraser to force the Government to the polls by denying it funds which are normally sought in Appropriation Bills during the autumn and spring.

By apparently closing off the option of post-Budget elections Mr. Fraser is forcing himself to wait until April or May next year for the next chance. He seems not at all unhappy at the prospect, despite the restlessness of a good many of his supporters who are motivated by the simple principle "when you can win, go." Labor would certainly be defeated at the moment. Their chances of victory appear little better no matter how long the day of reckoning is postponed. The recent opinion polls put Labor Party support well below 40 per cent, and there is no evidence that it has reached rock-bottom.

The same polls have shown that Mr. Fraser has won an acceptance with the voters far beyond expectations in the four months since he deposed Mr. Billy Snedden—the leader who gambled on forcing a mid-term election last year, and lost. While Mr. Fraser enjoys a popularity rating above 60 per cent. in the polls, the Prime Minister, Mr. Whitlam, has sunk to a record low point.

Despite all the circumstances, Mr. Fraser has never shown an inclination to become Prime Minister by default. In his initial statements as leader of the Liberal Party and the Opposition, he stressed the issues of constitutional principle in his argument. Governments were formed in the House of Representatives and, while they could command a majority there, should continue to govern, barring only "extraordinary and reprehensible" circumstances. There is a great deal to be said for such an argument. Under Mr. Snedden, the talk of forcing an early election never stopped and the resulting poor-loser image was a major factor in the failure of his bid last year. Moreover, there developed such an air of basic instability in the political system that there was genuine dismay about its effects among those who watched politics closely—whether from the inside or outside.

Ambitious

Mr. Fraser is probably no more noble or self-denying than others who reach similar heights in the calling of politics but he is more ambitious and longer-sighted than his predecessors since Sir Robert Menzies who retired nearly a decade ago. His thinking about election timing is influenced by two factors. He can reasonably expect to win, even if the election is at the end of a full term of Labor Government, somewhere in the first half of 1977. And he wants to lead a Government in his own image for a long time, without the harassment of a recalcitrant Upper House such as the Whitlam Government has suffered from its first days in 1972.

Last year's first use of the Senate to force an election against all the parliamentary conventions might go into the history books as an aberration, a second example would not. Ultimately the continued use of the Senate in such a fashion would become intolerable, forcing either a change in the voting system so that it mirrored the basic composition of the House of Representatives, or a limitation of its powers to deal with money bills.

Both these courses, as well as the alternative of doing nothing, would create acute philosophical strains within the Liberal Party, and tend to validate the Labor platform for abolition of the Senate. In the direction of internal party strain, Mr. Fraser already sees enough problems in the way of his long-term plans. Since 1971, the Liberals have been trying to produce a coherent and comprehensive manifesto to spell out what they like to call "the philosophy of Liberalism." So far, only three statements have been approved — on industrial relations, science and technology and immigration. Mr. Fraser has recently rejected out of hand the drafts submitted to him on defence and foreign policy. He is insisting generally that the policies must deal with first principles and not dissolve into window-dressing and attempts to "match" the Labor Party platform. Mr. Fraser now wants the whole range of policies drafted, approved and published before the end of this year so that they can be actively "sold" to the electorate before an election.

The realities of the Labor Government's position must be a great comfort to Mr. Fraser as he prepares so methodically for a long spell in office. Mr. Fraser's critics are inclined to suggest periodically that he may find he has waited too long, that Labor has lived through its worst period of public disenchantment and is staging a comeback. The cold facts, however, are that Labor needs to lose only two seats to lose office. It has far more than two seats in danger and no prospect of a compensating gain, anywhere in the country. It has, moreover, the recent memory of last month's by-election in the Northern Tasmanian seat of Bass, lost in a swing of 16 per cent. after 31 continuous years in Labor hands, latterly those of Mr. Lance Barnard, Defence Minister and former Deputy Prime Minister. From such a position the comeback road is long and arduous, even within economic recession, the chance of further unemployment to an inflation mitigation programme based, necessarily, on a minimum two-three year time span.

Within the Government and the Labor Party generally there has been growing strain and tension for the past year which shows no signs of dispersing. Mr. Whitlam has probably never been so secure in his leadership yet so widely disliked and questioned in his judgments and style.

The latter result has been one of the less remarked results of a taste of power after 23 years and the realisation now that staying in office now means a daily battle for survival. It used to be said that the Labor Party Left-wing encouraged the view that ideological purity in the wilderness was preferable to the enjoyment of power through compromise. The Whitlam era of leadership has destroyed the old power of the Left and today there is a whole generation of Labor Party members, supporters and parliamentarians who have enjoyed the taste of power. Confronted, as they have been in recent times, by the choice of annihilation or del

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Foreign affairs objectives

FROM HIS first days in office, the Australian Prime Minister, Mr. Whitlam, had as a central objective of a new foreign policy preparations for the new situation that would follow what he saw as the inevitable end of the Indo-China war.

Though they fitted into other, wider strategies, his immediate recognition of China (in December, 1972), and subsequently of North Korea and North Vietnam were all part of the preparations. So was the early withdrawal of Australian forces from South Vietnam and the Singapore-Malaysia defence system.

The preparations had gone as far as they could go when the war ended with such dramatic suddenness this year. How effective they will be in their stated objectives remains to be seen. The difficulties of establishing any real contact with the new regimes in Vietnam and Cambodia have proved as great for Australia as anyone else. But in recent weeks, formal agreement has been reached between Australia and the new Vietnamese Government for an exchange of diplomatic personnel. When it takes place, the real test will begin.

Mr. Whitlam saw two roles for Australia in the post-war situation: one, where the Australian Government in an independent capacity, would be among relatively few countries with formal relations throughout the region in a critical period of reconstruction, a second where a declared ally of the U.S. might be able to ease the transition from humiliation to reconciliation.

In a speech to the National Press Club in Washington last May, Mr. Whitlam said that the "great aims of American policy can now continue undiminished and undeterred, free of the impediments and distractions and distortions of Indo-China." Lavish in his praise of American political resilience, motivations and zeal, Mr. Whitlam said: "Here is an opportunity for all of us to end our long preoccupation with military alignments in Asia, our ideological confrontations, our cold war hangups, and open a new chapter in western co-operation. Let the deeper issues of poverty, over-population and maldistribution of the world's wealth assume their proper importance in our hearts and minds. These are the real problems of the world."

These have, indeed, been the main preoccupations setting the broad thrust of Australian foreign relations in the past year. The lines were clearly set in a major policy statement in mid-1974 which marked the end of the Government's early period of political "normalisation," in which new links were forged with governments as diverse as those in Peking and the Vatican. The second phase was to concentrate on international economic relations and the "new order" demanded by the Third World.

Again, the results are too slight for assessment yet. The level of activity has been high but the objectives blurred. Australia has joined the new international organisations formed by exporters of iron ore and bauxite professing no support for the formation of OPEC-style cartels to act against consumers. But the Goverment has been firm in its support of OPEC-style objectives such as better all-round balance in the terms of international trade. The decisions to join these organisations were made essentially on the ground that it was better to be a moderating force within them than a self interested critic outside.

In bilateral resources diplomacy, it would be natural to look to Australia-Japan relations as a touchstone. At this stage, however, the effort is hardly rewarding. When the then Japanese Prime Minister, Mr. Sato, visited Australia last year in the dying days of his term in office, there was an apparently relaxed atmosphere but a curious lack of definition. Broadly-stated agreements were reached on long-term coal supply (including, for the first time, steaming coal), joint investigation of uranium enrichment techniques suitable for Australia and feasibility studies for possible oil-from-coal plants. Little has happened since, though each side still likes to give the impression that it might.

Each, of course, has its problems: the economic downturn in Japan, the political and legal wrangles affecting so many resource policies in Australia. An added note of caution has been introduced with restrictive import policies adopted on both sides—in Japan's case against Australian beef and, on the Australian side, against Japanese cars. There seems no reason, however, to doubt the efforts of both Governments to avoid over-dramatising the problems, which they see as short-term.

A second aspect of the current phase of policy is a consolidation process, marked by a spate of new trade, cultural, scientific and technological agreements. They, too, are not long enough established to bear considered judgments.

The real problems for the Australian Government at the moment are smaller-scale and closer to home. The eruption of Portuguese Timor has found the Government with no constructive policy to offer and interest torn between relations with Indonesia and support for the general principle of self-determination. Despite the effort and money expended in the past few years, relations with the South Pacific and Papua New Guinea are far from smooth.

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Budget spells out economic strategy

RARELY HAS an Australian Government or Treasurer faced a more difficult set of circumstances when framing a Budget than those that faced the Whitlam Administration and its Treasurer, Mr. Bill Hayden, this year.

Mr. Hayden, though always a strong voice in Cabinet economic discussions, had been Treasurer less than two months by Budget night. His predecessor, Dr. Jim Cairns, had dropped in that time from the Treasury and the Deputy Prime Ministership to the backbenches of Parliament—and without ever having presented a Budget. Mr. Frank Crean had been pushed aside to make way for Dr. Cairns only three months after presenting the 1974-75 Budget which, by then, after a series of sweeping policy reverses, was a document of little more than historical value, anyway.

With the turmoil that accompanied the quick-change drama at the Treasury, the Government saw the collapse of business confidence, unemployment rising to over 4 per cent., inflation at around 17 per cent. and, because of its direct-spending attempts to stave off the recession, a 1974-75 Budget deficit of $A2.6bn. If the various programmes that caused such a deficit were to continue, the figure for 1975-76 would be twice as high. Dr. Cairns, among others, said it should be; the choice was between inflation and unemployment as a first priority and people must come first. But the Opposition and business spokesmen seemed to have convinced the public that the first principle must be "cut Government spending" (without saying where to cut). And it was thought that the Opposition, of course, might use the Budget as the pretext upon which to force another election if they could make out a strong enough case against it.

Framework

Mr. Hayden's response to the problems besetting him is a subtle blend of mostly orthodox measures within a totally orthodox framework. "Inflation," he proclaimed, "is this nation's greatest enemy. We aim to curb it. Unless this aim is achieved, the nation's productive capacity will run down and job opportunities will diminish."

The OECD had taken pretty much the same view in a pre-Budget study of the Australian economy, coming down firmly on the side of inflation control as the first priority. OECD thought the Australian recession had bottomed, though it found the recovery period difficult to predict in both shape and duration. Mr. Hayden and his advisers shared that view, too, though some of their more optimistic conclusions in the Budget papers appear a little hard to justify. Mr. Hayden looked forward to a 5 per cent. real growth in GDP in 1974-75. He noted that retail sales were improving, stocks were at last falling in business and housing construction was picking up. In the finer print, the Government expressed some hope of reduced inflation over the year but still saw wages rising by about 22 per cent. (the inflation rate of the past 12 months has been about 17 per cent.), and total employment rising by about 1 per cent. or about half its normal average rate of growth. Despite forecasts of notably increased productivity, that seemed to suggest that reductions in the inflation rate would be small, but slow in appearing and preceded by worsening unemployment as school and university leavers enter the market.

At 23 per cent., the growth rate in public sector spending was only half last year's, but it still represented more than 30 per cent. of GDP, compared with the consistent 10-year average of 25 per cent. until the dramatic take-off last year. The cuts, nevertheless, will fall very heavily in some areas, though direct functional comparisons have been made difficult by administrative changes. Obviously, though, when there is a new entry on the books like Medibank—the Government's long-delayed national health service—and it costs more than $A1.4bn., and when there are some concessions to both corporate and individual taxpayers, something has to suffer severely to contain the deficit (even allowing for a couple of new revenue proposals).

The Government regards the changes in personal taxation as the biggest selling point of the Budget. Mr. Hayden described them as "perhaps the most revolutionary change since the inception of our personal income tax system." The main rationale was to reduce the marginal tax rate on the heavily-burdened middle-income group, once it had decided that, for the time being, it would not accept the advice of its own appointed experts and introduce a form of indexation of tax rates to compensate for rapidly-rising inflation. The problem is that to achieve this objective for the middle-income group, it is necessary, almost by definition, to raise the marginal rates for the lower income groups. The Government did this, but compensated with an ingenious new system of tax rebates to replace the previous scheme whereby claims like education costs and the maintenance of dependants were deductions from taxable income. There is a minimum rebate of $A540 so that, in practice, the lowest marginal rates of tax do not matter much; 500,000 people are freed from any tax obligation by the rebate. For others, there is a built-in redistributive effect in that legitimate claims against tax now have the same value for all taxpayers. Rebates are specific and uniform whereas claims under the previous system increased in value in direct proportion to the income.

There are now seven instead of 14 steps in the scale of tax rates. The marginal rates begin at 20 cents in the dollar for incomes up to $A2,000, rise to 27 cents in the step up to $5,000, then to 35 cents up to $10,000, and so on to a maximum of 65 cents in the dollar at $25,000. By freeing so many of the lowest earners from any tax obligation, the system has won the applause of the Left-wing. About the heavy bias in the new rebates in favour of taxpayers with wives and children, there is more argument. And there is puzzlement about the real benefit to the middle income earners who were the original target. On the Government's own figures, the full year cost to revenue of its changes would be a mere $A205m. Income tax revenue in this Budget will still rise by at least 43 per cent. (as against 54 per cent. in 1974-75), or $A2,612m. The supposedly "radical" nature of the reforms is difficult to see. But the changeover does have a useful political advantage for the Government. It will not operate until the second half of the year so that the full-year effects will be compressed into six months and exaggerated by the fact that pay-as-you-earn deductions will be more accurate; people will no longer be over-paying to get a big refund cheque later. So the apparent cash benefit will look quite handsome to the most favoured groups.

Indexation

For business, there was an across-the-board reduction of 2.5 per cent., to 42.5 per cent., in the general rate of company taxation, plus a continuation of doubled rates of depreciation, due to have cut out last June 30. In both cases, there were recommendations before the Government for indexation schemes to compensate for inflation. So far as the general company tax was concerned, the Government decided that it was not prepared to accept the loss of revenue involved. And the continued double depreciation scheme, rather than indexed rates of write-off "reflected our view that it was desirable to introduce immediately a clearly understood aid to business investment," said Mr. Hayden. Against the concessions, there is a new tax on crude oil production which will have cost effects throughout industry and there are measures with specific effect, like the coal export tax and increased duties on beer, spirits and tobacco. Air transport costs will be going up steeply: there have already been sharp rises in postal, telegraph and telecommunications costs. Business investment expenditure is already the weakest area of demand in sight and there must be strong doubts that the meagre stimulus of the Budget will do much about that.

Mr. Hayden's time-scale for doing anything effective about inflation is two to three years, but it would be totally unrealistic to expect that the Budget-defined policies will continue unchanged for that long. There will be several key testing-points and one of them must be the capacity of the private sector to take up the slack in the economy as the pressure of public sector competition for resources is eased. "The public sector has played an important part so far in stimulating the movement towards recovery from the recession," said Mr. Hayden. "We expect that as the expansion of public sector activity is restrained, the opportunities for private sector expansion will improve, though full responses to greater room for growth may take time to develop." In other words, the Government is not prepared to take the risk of the economy dropping from a recession into a boom through over-stimulation. The risk, though, is that it may not improve at all with the degree of stimulation chosen—especially for those small to medium-sized manufacturers whose concern is simply to find the money to carry on. They have no thought at all of expansion or making new investment decisions.

There has been a suspicion for many months that the Government under-estimated the extent of business sickness. The next few months will prove that suspicion right or wrong. The second major area of doubt is the reaction of the trade union movement.

One of the cornerstones of the Government's present strategy is continued wage restraint. Their one real instrument for achieving it is to persuade the Arbitration Commission to persist with indexation, which allows for quarterly wage adjustments in line with the consumer price index — provided that the unions refrain from falling back on sheer muscle to win whatever they might think is a fair thing. Getting started is always the problem with such a scheme; everyone wants to be in the best relative position before they are locked into place. Because of the jockeying that process brings, the future is already very much in doubt for effective wage indexation. The national employers' body has formally asked the Arbitration Commission to abandon the whole experiment; some unions have never shown much inclination to take part and they cannot be forced to.

Living costs

Now there is a new element. A round of cost increases is about to be induced by the Government and its agencies which will act directly on the consumer price index—the postal and telecommunications charges, beer and spirits, petrol and tobacco. But the Government is insisting that they should not be counted in living costs for purposes of wage adjustment. "It would be self-defeating," said Mr. Hayden, "if the system of wage indexation were to attempt to insulate the community from tax measures designed to redistribute resources for the benefit of the community in the form of improved public facilities in fields such as health, education, welfare, personal benefits, urban improvement and so on." These things, he said, made a real improvement in people's living standards and were therefore "a non-money form addition to their incomes." For all its economic logic, the argument will be hard to sell to the many unions unprepared for it—especially before the tax measures start to operate.

Whatever its shortcomings, however, the Budget has already achieved its first goal: Mr. Malcolm Fraser, the Opposition Leader, has conceded that it is not the stuff to justify another use of the Senate to force general elections. A good section of the Press gave it guarded approval and there has been little backlash so far from within the Labor Party about the cutbacks in implementing its favourite programmes; without question it will come. Two months should show whether the broad Budget strategy survives or whether it goes the way of last year's.

Kenneth Randall

Elections

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it the Whitlam way, they have followed the leader. There was no better example than the parliamentary party's meek endorsement of Mr. Whitlam's action in dismissing Dr. Jim Cairns from a ministry whose membership is the sole prerogative of the Parliamentary Party. And yet that endorsement, only two months ago, came after a period of unprecedented criticism of Mr. Whitlam from within his own ranks.

This year's Budget has brought home to the Labor Party the full force of the grim, constant struggle that lies ahead if they are even to emerge from the next elections as a credible opposition and avoid another generation in exile. The general formula of the Budget was exactly as prescribed from the bastions of capitalism, give or take a few points of emphasis. To a very large extent, the "programme," that revered manifesto that carried them into power three years ago, has had to be suspended. The most severe effects of reduced Government spending are in welfare and reform areas, the benefits are for the affluent middle class and, theoretically, the business community. Parts of the Budget speech were like a valedictory.

"This Government began great programmes of change in our society," said the Treasurer, Mr. Bill Hayden. "The achievements are readily measureable. Incomes have risen, not only in terms of real disposable incomes but in terms of facilities provided to the whole community in health, in education, in social welfare ... our reforms are enduring, they will not be reversed. Now we propose to pause to take stock of the achievements ... the keynote of this Budget is consolidation and restraint rather than further expansion of the public sector."

The change was signalled by Mr. Whitlam's extensive mid-year Cabinet reshuffle and the removal of the old-school ideologues led by Mr. Jim Cairns and Mr. Clyde Cameron, who had devised and presided over the party's industrial relations policy. The new power group in the Cabinet comprises half a dozen right-wing or factionally uncommitted pragmatists. Half of them are newcomers to the ministry, all are personally indebted if not committed to Mr. Whitlam, and their job, as one of them put it quite simply recently, is to "steady things down." The Whitlam Government has come to the belated recognition that it totally misjudged the capacity of the community and the economy to cope with change at the pace expected of them.

Decrees

Labor realises now that even some of its best ideas are virtually unknown to the electorate—buried beneath a mountain of legislation and policy decrees which long ago exceeded the capacity of the mass media for systematic examination. The Government is boosting its own propaganda machine to rectify the situation—and doing little more, it would seem, than creating the gravest suspicions about what it is up to. The change involves saying "no" to the trade unions, being nice to big business and, most of all, projecting an image of "responsibility."

It is true that many of Labor's reforms and innovations will endure. It is just as true, sadly, that there would be more of them if the Whitlam Government had taken just a little more time on so many issues to think, consult and negotiate. The arrogance of style, flowing from Mr. Whitlam himself, has moderated sharply. The ideologues fret but, for the moment, do not step too far out of line. For the first time in a quarter of a century, survival is exercising its binding forces on the Labor Party. They can hardly be enough for their appearance is the chief worry of those Liberals urging Mr. Fraser to "do it now."

Kenneth Randall
Canberra Correspondent

Conflict over minerals and energy

A ZONE of almost ceaseless strife throughout Labor's three years in office has been minerals and energy. There *is still no sign of a let-up in* the battle between, on the one *hand* (and, it has often seemed, singlehanded), the Minister for Minerals and Energy, Mr. R. F. X. Connor, and, on the other, almost the entire 200m.-tons-a-year extraction industry.

There are short tempers and grim faces on both sides, and mining remains one of the areas of least clarity as regards future structuring and foreign participation.

All this is notwithstanding such striking facts as that considerable order has been established where it was sadly lacking; that sections of the industry are doing extremely well at present; and that Mr. Connor himself has been nothing if not consistent. Each of these bears looking at.

The Government in Canberra, which previously took little interest in minerals other than uranium, now has a complete overview of mining activity. As a result, among other things, it has been possible to "mediate" between the collieries of Queensland and New South Wales, so that the former (which are low-cost) have in effect stopped setting the world price at an uneconomic level for the latter.

Natural gas

The co-ordinating hand of Central Government has also been seen in the building of the natural gas pipeline from South Australia to Sydney. When this is complete next year gas will be an effective substitute for much of the heavy crude oil (15m. kilolitres last year) imported for industrial purposes. Ultimately natural gas distributed nationally is expected to provide 19 per cent. of primary energy (only 7 per cent. now).

These are likely to be permanent monuments to Mr. Connor.

Other memories may be no less enduring. Iron ore exporters are currently reaping vastly higher profits; coal sales, also mainly to Japan, are about to overtake iron in economic *significance; bauxite extraction* remains one of Australia's fast-growing activities. The Minister *made* a contribution, albeit slight in comparison with the favourable turn of markets and exchange rates. His influence has been clearly seen in the latest Budget's export levy on coal ($A6 a ton on high-grade coking varieties)—a blunt tax weapon if ever there was one. The future may still yield an "excess profits" tax, the possibility of which has been more than once mentioned by Mr. Connor.

Above all, Mr. Connor probably hopes to be remembered for the brand of economic nationalism he has sought to impress on the mining industry. This is where the battle rages on.

Mr. Connor's objective, in his own words, is to "achieve at least majority Australian owner*ship in the field of general minerals* and, complete Australian ownership and control in respect of fuel and energy resources."

The *first part* of this is not necessarily an impossible dream. Although 60 per cent. of mining is controlled by *foreigners, and foreign participation* will continue to be *needed* in exploration and development, virtually all mining companies can be counted on to give up a majority of voting shares to the Australian public if they have to. That has if anything become clearer in the past year.

However, Mr. Connor does not content himself with that as a long-term objective. He has been determined not to allow foreign investors into controlling *positions in new ventures.* And he has set himself the much higher standard for energy sources—in principle oil, natural gas, uranium and coal.

It may never be completely clear why Mr. Connor's policies toward foreign capital are so tough. It may be (as he tends to claim) that Mr. Connor sees himself as the guardian of *honeypots which will* immediately attract plunderers if he relaxes his vigilance, combined with an essentially personal (and some would say quirky) judgment that some minerals (for example, oil) are more precious than others. Or he may (as some critics assert) be using economic nationalism as a Trojan horse for State participation *in mineral development.*

Whatever the *truth,* the posture is extreme in relation to present realities. That it is also insupportable, is strongly suggested by the fact that the Government is visibly in the act of withdrawing from Mr. Connor's position.

The firmest evidence of a more accommodating attitude, on the touchy subject of oil and gas, appears in the recent New York loan prospectus. This said explicitly: "The Australian Government's policy does not exclude foreign participation in the development of oil and natural gas reserves provided that Australian interests, private and public, are given every reasonable opportunity as is practicable to participate in the development of discoveries made by foreign explorers."

The official attitude on other *minerals is implicitly less protective.*

For the time being, though, the practical result is uncertainty and stalemate, meaning that expenditure on minerals exploration has begun to run down. According to official figures, it was $A101m. in 1973-74 and *$A96m. in 1974-75, which* as the mining industry hastened to point out, was in real terms the lowest since 1968-69. The industry also noted that more than one-third of money committed to exploration in 1973-74 had come from 32 companies "which fund their exploration programmes from overseas." By this it no doubt wished to convey that foreign participation is still a vital component of exploration activity.

This at least is common cause. Mr. Connor's Department puts it grudgingly, but clearly enough: "Government seeks Australian participation in mineral exploration. It believes, however, that because of the risks involved and Australia's limited capital resources, it is more important to secure a high degree of Australian equity participation at the production stage."

The Minister's blueprint seems to assume that *exploration will continue at a satisfac*tory level and that when companies are successful they will take the results to the Government. At that point a deal would be worked out, to give effect to the principle that Australians would have a majority stake (or 100 per cent., Mr. Connor would say, if the discovery is oil, natural gas or uranium—or coal).

The official machinery for dealing with this has all been unveiled, Mr. Connor has said. It is to be found in export and exchange controls (which the Labor *Government* inherited, though they had not been used for these *purposes*), a strengthened Australian Industry *Development* Corporation, the Pipeline Authority Act, the Seas and Submerged Lands Act, the Petroleum and Minerals *Authority* (PMA) legislation, and the Atomic Energy Act.

Of these instruments, the sea-bed law has been contested by the States and the courts have yet to give a ruling.

The PMA was declared invalid due to a procedural error in its enactment, but Mr. Connor the same day (June 24) promised that PMA commitments *would be honoured* (and that the law would be put through Parliament again).

Mr. Connor undoubtedly has other ambitions for the public sector, as well. At the minimum, he envisages passive PMA participation in mining projects, *that is,* to make up the desired Australian stake in partnership *with the private sector. In fact,* there is little doubt he would welcome a large and active PMA involvement in a variety of projects.

Mr. Connor also believes the public sector has a big role to play in the processing of minerals in Australia. This covers such projects as uranium enrichment and oil-from-coal, and in principle others too, in line with the Department's *stated objective, which is* "the maximum level of mineral processing consistent with the rational use of resources."

The Minister has explained that the Government's recent attempts to raise large sums abroad (up to $US4bn.) related directly to these policies. The money would, in his view, have made Government entirely credible *as a force in the country's* mineral development.

*So far, Mr. Connor. The mining interests see the picture dif*ferently. *In general it is no* doubt fair to say they do not like economic nationalism, "creeping socialism" and Mr. Connor's way of doing things—in roughl[y] the reverse order.

Mining industry leaders (wh[o] these days show a marke[d] reluctance to be quoted) ten[d] to claim that the biggest pro[b]lems are practical. For exampl[e] it is foolhardy to spend a l[ot] of money on exploration wh[en] there is no knowing h[ow] Government will react wh[en] the company comes up with [a] commercial discovery.

Companies need to know [in] *advance what stake they w[ill]* be allowed to keep in the fi[nal] project. They need to kn[ow] they will be allowed to man[age] the project, since that is w[hat] they are in business for. Th[ey] need to know that the vehi[cle] through which they make th[eir] investments is itself exem[pt] *from pressures to localise,* [or] else the conditions it [can] expect to have to comply w[ith] (what percentage of lo[cal] ownership would do?).

In each of these respe[cts] mining companies claim to f[eel] insecure. The *few case stud[ies]* available *suggest they h[ave]* good reason. Time and mo[ney] has been spent in seek[ing] official approval *for* acqu[isi]tions, in putting up prop[osi]tions and looking for l[ocal] partners—all without unco[ver]ing a foundation for fu[ture] activity. Even where appro[vals] have been forthcoming, it [has] taken months to get them, [by] which time the propositi[ons] have sometimes ceased *to b[e]* attractive.

In general, there is a str[ong] suspicion that Mr. Co[nnor] would somehow succeed [in] scooping the lion's share of [any] prospect worth having. M[ean]while there are also authe[nti]cated tales of foreign inve[stors] being prevented (by withh[old]ing of export licences) f[rom] exploiting minerals which [local] control by virtue of [...] saved the ventures by fi[nancial] injections of capital.

Mr. Connor's attitude [implies] plainly that the minerals [are] still safely in the ground [and] there is nothing to worry a[bout]. Yet it seems no exaggera[tion] that Australian mining has [lost] a safety net in that fo[reign] capital will in future be [much] less likely to flow where [it is] wanted (in the capital m[arkets] bad news travels fast).

The problem goes deeper. [A] recent submission to the [In]dustries Assistance Commi[ssion] by Conzinc Riotinto [of] Australia estimates that ca[pital] investment of $A4.28bn. w[ill be] needed in the next five [years] (including $A2bn. in alu[minium] and $1.4bn. in iron ore) [for] Australia merely to hold [its] its share of world ma[rkets]. Much larger sums may b[e re]quired if new deep level [min]ing prospects are disco[vered] and if processing activities [such] as uranium enrichment a[nd a] steel mill are to go ahead. [Local] markets seem unlikely to [be] running with such funds.

The Minister evidently [does] not care that his actions [may] undermine the confidence [of the] private capital market. [His] *thinking is probably that* [this] does not matter, becaus[e the] State will step in where p[rivate] investors (including Aust[ralian] ones) fail to make the con[tribu]tion which is *desirable i[n the]* national interest.

Whether Government [is] presently equipped can sh[oulder] *such a responsibility is a* [question] that probably does not h[ave to] be gone into. The key [is] that Australian Governme[nts do] not at present have p[opular] support for State control [of the] factors of production—in[deed it] has never been a campaign [issue] in what has always [been] a highly markets-o[riented] economy.

Peter Du[...]

Foreign capital directives

EVERYBODY SEEMED to think it would become easier for foreigners to invest in Australia in the past year, but on balance it does not look as though that is what happened.

Several pieces of evidence *have to be placed on the scales.* Those which suggest barriers to foreign investment are admittedly impressive.

In the first place, the Government has drafted legislation, now halfway through Parliament, to give permanent form to the law on foreign takeovers passed in the last days of the Liberal Government, in 1972. *The new draft is avowedly in*tended to extend the scope of *the law, which at present only* applies to acquisitions of shares and does not affect transactions between foreigners. The present law was originally given a life of only one year, but has been twice extended by the Labor-controlled Parliament.

The new legislation will police takeovers of assets other than shares (such as mining rights), increased stakes in companies already under foreign control and transfers from one foreigner to another. In addition there will be an obligation on foreigners to give 40 days notice of an intention to acquire 15 per cent. or more of a company's equity, where at present the Government has to initiate proceedings.

Secondly, the Government be*gan scrutinising all other kinds* of foreign investment in June last year, establishing the Foreign Investment Committee (FIC) for this purpose. The FIC is purely advisory with no legal standing, but the Government has recently amended the Banking Act to provide for regulations giving FIC assured —as opposed to rather informal —access to exchange control information.

FIC thus has the look of a permanent instrument designed to monitor capital inflows thrown up on the exchange control screen. It is interdepartmental in composition, but effectively an agency of the Treasury.

Once a capital movement is looked into, the introducers may be required to give up to 11 items of detailed information, the form of the *questionnaire* depending on whether the proposed investment will be industrial or in property. In practice, intending investors often do not wait to be asked, but consult the FIC before bringing capital into the country (this because they have other uses for the money in the *period while FIC is mak*ing up its mind).

There can be no doubt FIC

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MINING EXPORTS†

($Am.)

	1972-73*	1973-74*	1974-75‡
Processed	306.3	429.6	526.7
Unprocessed	944.6	1,112.6	1,579.3
of which Iron ore	439.1	498.5	649.2
Coal	290.8	327.4	558.9

* 12 months to end-June. † Except gold. ‡ 12 months to end-March.

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Beef disaster for the farmers

THREE YEARS AGO Australia produced 1.4m. tons of beef for the first time, and shipped 40 per cent. to achieve record export earnings of $A653m. Australians told themselves that by 1975 they would be exporting 70 per cent. of an estimated total production of well over 1.5m. tons.

It has not worked out like that. Three-quarters of the way through 1974-75 they were exporting less than 30 per cent. of beef production, which farmers were desperately trying to hold below 1.4m. tons. Export revenue was running at an annual rate of only $A320m. Domestic prices had collapsed.

This is the disaster that has engulfed the farm sector in the past year, striking a mortal blow at profitability and yielding a harvest of misery over a large part of the country. It has many of the ingredients of a classic agricultural crisis—including the fact that in the short run it does not appear to be self-correcting, but is likely to get worse as the cattle population grows as a direct result of the efforts now being made to keep animals off the market. Unofficial estimates give as many as 35m. head for the total herd (of which 3.7m. are dairy), about 28 per cent. more than three years ago.

There is a natural temptation to think (or hope) in terms of a temporary dip in the graph line of steadily rising world demand for food. However, top agricultural economists do not seem to take this view. More specifically, they hold out little hope that beef producers will succeed in avoiding the age-old sequence of alternate gluts and shortages which are the bane of so many agricultural markets.

Reduction

In retrospect, the origins of the present surplus are to be seen in the excessive optimism of the preceding few years, when decisions to build up the beef herd were taken. The next phase, beginning some time next year, is only too likely to be a reduction of the herd again.

That would partly be the result of farmers feeling that they had mistakenly put their faith in beef, a view greatly reinforced by the need to realise cash and the ever-present threat of drought. By 1980 prices could be sky-high and the cycle could be about to start all over again.

It is sobering for the agricultural economists to contemplate such a sequence, which appears to show how little they have achieved in their efforts to curb the excesses of the markets. They claim that a beef surplus was foreseen, but that it has proved much larger than expected.

No allowance could have been made for the fact that the Japanese market would be completely closed to imports for a year, during which period Australia alone had reckoned to supply at least 100,000 tons. Japan had encouraged Australia's beef growers, but had failed to work out a strategy to accommodate its own high-cost producers, other than by maintaining the world's highest consumer prices. The effect of these, naturally enough, was to choke off demand and create a man-made surplus in the cold stores which has yet to be fully worked off.

Closure of the EEC market to imports from all sources in the second half of last year produced all the consequences predicted when it happened (though unfortunately not much beforehand) including the fact that Australian producers have yet to regain anything like their traditional access to Britain. Beef exports to Britain, at one time a 100,000-tons-a-year business, were down to 11,000 tons in the nine months ended March.

Only slightly less serious from Australia's point of view, hard-hit South American and other traditional suppliers to the continent have encroached on Australia's preserves in their search for alternative markets. They even managed to land more canned meat in Australia, imports rising 50 per cent. by value to more than $A4m. in the year to end-June last.

There are a few blessings to count this year, including the American market quota (voluntary) of 279,000 tons announced in the March quarter (albeit smaller than in some recent years). A sale of 40,000 tons to Russia, and reopening of the Japanese market in June. Initially this was to admit only a token 10,000 tons, but the quota will apparently be increased to 25,000-30,000 tons within 12 months.

In addition the industry's problems have been referred to the Industries Assistance Commission (successor to the Tariff Board) and some Government money has been set aside to help producers with low-interest loans (the latest Federal contribution is $A27.6m. in this month's Budget).

However, all this is little more than a gesture, which does nothing to discourage farmers from (in some publicised cases) shooting their animals and allowing the carcases to rot in the fields, rather than carry the cost of grazing or even transportation to market.

In cash terms, preliminary figures put the value of cattle slaughterings down 54 per cent. in 1974-75 and show beef exports dropping from 20 per cent. three years ago to under 10 per cent. of rural exports of around $A3.8bn. in the past year.

The rural sector as a whole appears to have come through 1974-75 with a 9 per cent. fall (to $A5.9bn.) in the value of production and a small increase on the previous year's $A3.5bn. of rural exports. This may not look too bad for a time of worldwide recession, but there proves to be not much in it on which industry and Government strategists can congratulate themselves.

The most stable component of the rural economy was the wheat industry, with production valued at around $A1.2bn. for the second year running and exports recovering sharply in both volume and value as a result of the combination of the previous year's bumper crop and high world prices.

Reversed

The other upside factor was sugar, exports of which at the three-quarter mark (end-March) were running at an annual rate of $A663m., against $A223m. in 1973-74. This was solely the result of last year's wild upswing in the world price which has more recently been equally strongly reversed.

The sphere in which Australia's planners tried hardest to tame the markets was wool. With full Government backing the Australian Wool Corporation intervened to buy 41 per cent. of offerings between October and April, drawing on $A289m. of public funds and ending up with massive stocks. At the end of March the Corporation held more than 1.5m. bales and another 900,000 were unsold in brokers' stores, held back by a 33 per cent. fall in average prices (the floor was realistically set well below 1973-74 ruling levels).

There is no doubt this policy did limit fluctuations, though hitting the wool cheque and exports, which had topped $A1bn. two years running but dropped to $A725m. (annual rate) in the nine months to March.

Unfortunately, however, there was a failure of nerve in May, when the Cabinet decided to lower the floor price based on 250 cents a kilo wool of stated quality. This decision was promptly reversed by the party caucus (to which Labor Cabinets are accountable), but by then the damage had no doubt been done. In future, wool buyers may think they have a sporting chance of getting supplies below the floor price, or the possibility will encourage them to hold off, which could make supports more difficult to administer.

This year the Government has allocated $A80m. and agreed to guarantee another $A70m. of bank borrowings. But it would seem more realistic to think of it as an open-ended commitment. Wool prices appear to be recovering slightly, but the market will in all probability [illegible] to be nursed for some time.

[illegible] the other main components of rural production, mutton and lamb producers are estimated to have suffered a 43 per cent. slump in gross receipts in 1974-1975, again because of world over-supply and partly due to rebuilding of flocks. Australia's sheep population declined steadily from 180m. in 1969-70 (the tail-end of the last slump) to 140m. in March 1973, but has apparently increased by anything up to 10m. again in the past 30 months. Britain and Canada have both taken less Australian lamb at lower prices in the past year.

Overall the farm sector is badly demoralised, especially because of the miscalculation which led farmers to drop what they were doing in favour of meat production. Last year's Green Paper pointed out that commercial farms specialising in dairy and poultry had declined by a third since 1960, while the number of specialist beef producers had more than doubled.

Priorities

In addition, most farmers consider the Labor Government unsympathetic, and it is certainly true their problems are not among its priorities. Casualties of the beef crisis have included Northern Agricultural Development Corporation, a public company, suggesting that size and access to capital markets are not wholly adequate cushions.

However, the larger picture is that the structural change which reduced Australia's commercial farms by 10 per cent. to 191,000 in the 1960s is continuing. Simultaneously, as farms have got bigger and increasingly mechanised, numbers employed on the land have continued to decline, so that the total is now below 300,000 compared with 500,000 in the 1930s.

This has slowly made for a more soundly based industry according to the experts. In spite of everything they still see a future for both wool and meat, with Australia having the long-term prospect of competing with substitutable textiles and proteins. Beef in particular, being grass-fed over an abundant expanse of countryside, should some day come fully into its own. However, after the present agonies, it is probably true the herd will not be built up again in a hurry. And on the basis of the income averaging for which farmers are begging the tax man (so far in vain), it will be hard-earned money all the way.

Peter Duminy

Capital

CONTINUED FROM PREVIOUS PAGE

is shaping up to be a formidable instrument. Its officials say that all concerned have been co-operative—which means FIC invariably gets its way, which is not surprising considering the sort of enemies an investor could make if he decided to try and buck the system.

The third main hindrance to foreign investment has been the chorus of Government voices, the loudest that of Mr. Rex Connor, Minister for Minerals and Energy, apparently preaching economic nationalism with as much fervour as ever before.

All this has to be seen in perspective. As regards takeovers, the machinery has been overhauled not because of any public outcry for stricter control, but quite truthfully because the existing law is so makeshift. As the Federal Treasurer explained when he unveiled the new provisions last December, they mostly represent the benefits of experience.

In addition, an apparently onerous provision, such as that requiring prior notification of a takeover, merely formalises what has become standard practice for obvious reasons. Foreign bidders hardy enough to have survived (a diminishing band), these days usually proceed by way of prior agreement (with the victim and Government) rather than run the risk of having a successful bid undone by the Federal Treasurer later on.

Establishment of FIC, in turn, certainly signified that Australia is serious about claiming the right to decide whether to admit or bar foreign investments. This [illegible] just have been unclear to the world while the sifting apparatus consisted only of the takeover law with its numerous loopholes.

To give effect to the principle, it is even probable that the machinery will have to be gone over again. For example, there are still gaps, in that a foreigner could raise money locally to buy Australian property without the authorities necessarily knowing about it. It is also a possibility that FIC's access to exchange control records will be challenged in the courts, on the argument that the Banking Act (and regulations) are being used for purposes not intended by Parliament.

Selective

However, there is another side to the coin. The Australians, including those directly involved in operating the machinery, have not been saying that foreign capital is unwelcome. Almost everyone in fact has declared that it is needed for Australia's future economic development (by no means inconsistent with the mood that Australians want to be selective and not accept every foreign dollar that chooses to come along).

The most recent words on the subject which have the imprimatur of the Government (and which in fact were authorised at the highest level) are contained in the prospectus issued for Australia's $U.S.100m. borrowing in the New York market in June. This said:

"In practice, there is no general prohibition on foreign investment in Australia. The Australian Government has adopted a selective approach towards foreign investment to ensure that foreign capital inflows are associated with industries which add to Australia's resources and bring benefits to the nation.

"The Government has a firm policy objective of promoting Australian control of Australian resources and industries. Generally, this policy is applied in a pragmatic and flexible way. . . ."

This means, in general, that Government is genuinely willing to listen to suggestions from intending investors, the main exceptions being banks and other financial intermediaries, insurance companies, radio and television broadcasters. There remains one other special case, namely natural resource developers, who have to run the gauntlet of prior (or supplementary) approval by the Department of Minerals and Energy.

To be sure, even with the goodwill that exudes from the Treasury, business interests in a position to introduce foreign investment are far from happy. They say a flexible policy has definite advantages, but these may be outweighed when there are no known guidelines. Wholesale pragmatism means investors embark on the sometimes laborious and costly process of proposing capital projects without having any idea whether they are likely to succeed.

It is not even clear that existing investors may expand their operations without hindrance.

Officialdom tends to be sympathetic on this. It is suggested that guidelines will emerge as experience is gained and that it would have served no purpose to have laid down criteria which afterwards proved not to be adequate. Meanwhile it seems that investors would do well to study the Canadian situation: at least they can be sure that Canberra has been taking a keen interest in it.

From Australia's point of view, the problem is that it may never know how many investors (some of them no doubt desirable) it has frightened away, for example, the ones who never show their faces.

Resilient

The short run evidence is that private investors have proved quite resilient. Corporate sector direct investment (other than ploughback of profits) dropped to $A40m. in 1972-73 from a $A405m. average for the previous eight years. Then it recovered to $A147m. in 1973-74 and was up to an annual rate of more than $A400m. again in the first half of 1974-75.

However this does not mean that Australians have had the optimum choice.

Refining the policy becomes all the more important if it is regarded as a permanent feature of the Australian landscape. There is every reason to think that is what it is. A change of Government may well make some differences, perhaps mainly in the minerals field but also probably in downgrading the role (as an alternative capital provider) of the Australian Industry Development Corporation. However, there will never again be a free-for-all as far as admission of overseas capital is concerned.

Peter Duminy

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Sound external trade position

AUSTRALIA'S EXTERNAL trade has had its problems in the past 12 months but, as throughout the three years of Labor Government, the difficulties have related to specific components, not the overall balance. Overall trade has shown no sign of relapsing into the chronic deficits which occurred up to the late 1960s, the point at which they were wiped out by rapidly expanding iron ore and coal exporting industries.

In the past three years the underlying structural improvement has been sufficiently firm to carry the economy over the combined hazards of revaluations, across-the-board tariff reduction, and galloping domestic inflation.

Attempts

In 1974-75 it is true there have been attempts to limit these challengers. Last September 25 the Australian dollar was devalued by 12 per cent. and thereafter floated, so that it is now worth about $U.S.1.28, against $U.S. 1.48 a year ago. According to OECD calculations (which take into account depreciation of the U.S. dollar as well as relative movements of other currencies) Australia's effective revaluation in relation to its trading partners, from rates ruling in March, 1970, is now a mere 2 per cent., having been as high as 15 per cent. in January-March, 1974. (The currency had been worth $U.S.1.19 prior to the three revaluations of December, 1973, and February and September, 1974, the second of which was, accurately speaking, American devaluation.)

As regards formal protection, the stage was set by the 25 per cent. cut in tariffs instituted in July, 1973, preceded by concessions (including removal of most quota restrictions) to developing countries.

In the past year this was partially reversed, to the extent that temporary protection was introduced covering about 7 per cent. of imports. The process began on October 18 when quota restrictions were imposed on footwear for 12 months.

Since then there have been temporary tariff quotas and/or import ceilings on a wide range of synthetic yarns, fibres and fabrics (December), shirts and motor vehicles (January), and several other clothing items and steel plate (March). In addition, a temporary duty of an extra 10 per cent. was put on tyre imports.

All of this has obviously had some effect on Australia's external balance sheet, but that has been largely incidental in the sense of having been neither required nor specifically intended. Domestic considerations have been paramount. Devaluation was dictated by an extreme crisis of confidence in the business sector (and came as an immense relief to many exporters who had previously seen their profits pared by upvaluations).

More obviously if anything, selective import *restrictions* have been adopted to counter unemployment and other problems in the industries concerned.

As a package, the measures coincided with other forces *making for stronger trade showing*, which have therefore been reinforced.

The extent of this has yet to be fully seen. Calendar 1974 produced the smallest trade surplus of many years, only $A80m. from exports which had risen 15 per cent. to $A7.5bn. and imports 64 per cent. higher at $A7.4bn.

However, in the next six *months (January-June 1975)*, exports increased to an annual rate of $A9.3bn., 32 per cent. up on the corresponding months of 1974. Imports, on the same basis, rose 29 per cent. to $A7.6bn., giving a large favourable balance. In fact, imports dropped nearly 13 per cent. in value and probably by more than 30 per cent. in volume *from one half-year to the next.*

The suggestion is that some *such turn-round of both imports* and exports was indicated by general economic conditions at home and abroad. Imports grew strongly until last *September very largely because* it was (until shortly before then) official policy to dampen the fires of domestic inflation by opening the import tap as far as it would go. *The OECD* estimates that for the nine months import volume was 29 per cent. higher than for the corresponding period of 1973, having increased by 22 per cent. in 1973.

Squeeze

By September this domestic policy had been drastically changed, being replaced by a tight monetary squeeze which *was certain to curb the demand* for imported goods in line with its effect on aggregate demand in general.

That is what occurred, from *October on*. When the Treasury reviewed the March quarter, it found there had been "significant falls in imports of chemicals, manufactured materials (particularly iron and steel) and machinery and transport equipment." Oil imports, supplementing domestic production (the country is 70 per cent. self-sufficient), have settled down at *around an annual cost of* $A700m., with prices and exchange rates at current levels.

The decline in imports may just about have run its course now, but even if that is so, the *official expectation* is that the import bill will be lower in the fiscal year ending next June than the $A8.2bn. recorded in 1974-75. That would be despite possible increases of more than 10 per cent. in import prices *foreseen by the OECD*, and would be consistent with the belief that normal import growth is well below the rates observed in 1973 and 1974.

Somewhat different considerations apply to exports. Australia's export performance in 1974 was visibly held back by slack wool sales, a sharp decline in world meat requirements, adverse climatic conditions affecting sugar and dairy industries, and a virtually nil increase in Japanese purchases of iron ore (total shipments rising 11 per cent. in volume, *against 30 per cent. in 1973*).

Immeasurably the main adverse factor was the world trade recession, while there *is no doubt the September devaluation* has been mainly responsible for the subsequent recovery, which is largely merely the result of expressing receipts from world markets and fixed price contracts in Australian dollars.

The main qualifications to be made to these generalisations are that wheat and sugar have had a bumper year while coal and iron ore exporters succeeded in negotiating *higher* prices, mainly on the basis of cost recoupment (under agreements completed, no doubt luckily for themselves, before devaluation).

In the case of iron ore, the *Japanese steel mills have from* September been paying 22 per cent. more on average for their long-term supplies (the bulk of the 65m. tons, out of total ex*ports* now running at around 85m. tonnes a year, shipped to Japan).

The point about exports in general is that there will be considerably more growth ahead once major economies, not only Japan's, *begin to pick up again.* That would stand to be in both real and value terms, granted that the OECD appears to expect import-export prices to move against Australia on balance.

The structure of Australia's foreign trade has shown little further change over the past few years. Exports in 1974 consisted as to 32 per cent. of minerals and *other crude* materials (other than fuels), with farm products accounting for 44 per cent. (or 30 per cent. excluding processed items). The main feature of *last year's* markets was that the EEC took only 16.3 per cent. of exports, compared with more than 20 per cent. in 1973. Japan absorbed an unchanged 31 per cent.

Share

The EEC (*mainly Britain*) remains Australia's biggest supplier, but the percentage supplied dropped below 28 per cent. last year, from 32.7 per cent. in 1973 and 35 per cent. in 1972. Developing countries have in*creased their market share* from 14 per cent. to 18.5 per cent. over the same period, while the North Americans have 25.3 per cent. and Japan has 17.8 per cent.

Looking ahead, Australians evidently have little cause to worry, provided they do not let their domestic inflation get completely out of hand. That could yet upset a sound external balance.

Peter Dumi..y

Changes to structure of government

THE STRUCTURE of Australian government has frustrated most prime ministers at some time or another. But *few have fretted as much*, or tried harder to change it than the present Prime Minister, Mr. Gough Whitlam.

More than half the present Federal Government departments are either new or signi*ficantly changed from those the* Labor Party inherited when it took office less than three years ago. The number of independent and quasi-independent commissions has grown constantly though some of the first established have already outlived their usefulness and are being allowed to die quietly, new ones are already in the pipeline to replace them.

Business-style corporations and agencies have not grown *so fast, but not for want of try*ing on the Government's part; the growth rate has been held in check by a suspicious, Opposition-controlled Senate. Sometimes, however, not even the Senate has been able to hold the process in check. The Government has written several new chapters in the casebook to illustrate how much can be done by administrative fiat without the direct approval of the Parliament.

Functional

In a major speech towards the end of 1973, Mr. Whitlam said: "All the important changes can be seen as reflections of our new policies. We have brought an emphasis in departmental strength to accord with the emphasis in the Government's administration. In so doing, we have moved in the direction of organising departments on a functional basis, of distributing responsibility in groups which are as *homogeneous as possible.* This has led, in part, to the amalgamation of departments which is now in process."

In its most important respect, the claim is true. The functional style of organisation now *operating in most* parts of the Canberra system is, on the surface, at least, easier understood but the upheaval needed to create it, and the continued rate of change, make it doubtful that much has really been *simplified. Simplicity could* come with time for consolidation but the trauma may not have been necessary, anyway.

One of the Government's most important early actions was to appoint a Royal Commission into the whole system of Government administration—a massive task, undertaken only once before in Australian Federal history but likely to be finished, nevertheless, by the end of this year.

Headed by the redoubtable Dr. H. C. Coombs, former Governor of the Reserve Bank and all-purpose adviser to the last two prime ministers, the Royal Commission on Australian Government *Administration* studied delivery systems for Government services, as well as the more obvious areas of organisation and methods.

One of the Royal Commission's operating styles has been to organise public meetings around the country so that those citizens who qualify as "the man in the street", can describe, criticise or praise Government performance as they have found it from personal experience. As a working method it has had the great virtue of focussing attention first on the problems and deficiencies found by the *customer*, and only secondarily on the administrative problems of changing the bureaucratic system. The meetings have certainly found no shortage of complaints and *suggestions.*

It would be doubtful if such an objective group as the Royal Commissioners would agree with Mr. Whitlam's proposition of 1973 that a logical balance can be struck between the numbers employed in a department and the Government's priority rating of the policies *handled by that department.* Mr. Whitlam's own qualification is also important, only "in part," he said, were the principles he had enunciated

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Tough restrictive practices curbs

ONE OF the most radical administrative approaches to corporate takeovers, anti-competitive practices and consumer protection has come to the fore in Australia as a result of the enactment nearly a year ago of the Trade Practices Act.

The legislation has dictated a quite new response by business to Federal regulation of the market place.

The legislation is predicated on the proposition that restraint of trade which is anti-competitive is illegal, that anti-competitive monopoly conduct is also illegal and so, too, are varieties of exclusive dealing and price discrimination. Resale price maintenance is also outlawed as are a wide variety of unfair practices affecting consumers.

The enforcement provisions are tough, with pecuniary penalties of up to $A250,000 for breaches by a company of any trade practice provision and a number of criminal penalties and fines of up to $A50,000 for infractions of the consumer protection provisions.

The Trade Practices Commission approaches its task by the mechanisms of clearance and authorisation. Companies wishing to continue their trade agreements can apply to the commission for a clearance, which involves having to justify the illegal practice on the grounds that it does not significantly lessen competition.

Benefits

If the Commission refuses the application on these grounds then it is open to companies to apply for an authorisation whereby they put the proposition that even if the practice is anti-competitive there are significant public benefits that flow from it, and for this reason it should be sustained. Appeals from authorisation decisions lie with a Trade Practices Tribunal, which is a quasi-legal instrumentality.

All industry agreements and arrangements are placed on the public register and all decisions of the commission are published. This emphasis on bringing business secrets out into the open has had an amazingly refreshing result, for it has created a more competitive atmosphere for business, and an environment in which it is infinitely harder for corporations to be unfair and restrictive.

One other aspect of the legislation that has widened its scope is that it is open to anyone to launch a prosecution.

The commission itself has authority to prosecute, so has the Attorney-General, and so has "any other person." Legal aid may be extended to those who are anxious to prosecute a justifiable case but who lack the means to do so.

The wide facilities for redress under this law pre-empt the prospect of the enforcement procedure being the sole prerogative of a bureaucracy, which might, like most bureaucracies, in time, become less zealous in the pursuit of its original goals.

Legislation of this magnitude and force comes as an enormous body blow to industries who are sustained on a wide variety of anti-competitive arrangements. For example: the tied hotel arrangements between the breweries and the hotel associations, the tied distributor agreements between oil companies and petrol stations, the restrictions in the book publishing industries, the mass of standard form contracts between film distributors and film exhibitors, and travel agents and transport companies.

The commission has mapped out a rough list of priorities of industry sectors to examine first:

- The oil industry, and in particular its one-brand trading arrangements with retail outlets.
- The liquor industry, especially the role of recommended price lists and the tied hotel arrangements whereby hotels sell only one brand of beer.
- The practice of building societies nominating insurance companies for their borrowers.
- Ensuring that shopping centre leases do not amount to restrictions on trade.
- Determining whether newspaper proprietors should continue their practice of accrediting advertising agencies.
- Preventing resale price maintenance wherever it occurs.
- Examining recommended price lists to see whether they are simply price-fixing arrangements between competitors.

Naturally the commission has a few business practices that are pet aversions. Boycotting practices and price-fixing arrangements between competitors supplying goods, are two that are particularly high on the list.

Scales of fees

The commission has also warned that it will soon attempt to crack down on professional bodies such as lawyers, doctors, stockbrokers, perhaps estate agents and the like who continue the practice of fixing scales of fees. However, there are constitutional limitations to the Federal Government's powers to regulate non-corporate instrumentalities, particularly those which may be dealing within one State.

To some, the Trade Practices Act has come upon the Australian corporate world as the product of a "business-bashing Labor Government," while to others it is seen as a worthwhile pursuit of a free market place.

It involves the Trade Practices Commission in a massive job of communication with business, apart from enforcement procedures.

To this end the Commission has issued a series of guidelines which have been eagerly digested by business. Guideline statements have appeared on advertising methods, the use of recommended price lists by trade associations, the marketing of television sets, the writing of shopping centre leases and commercial contracts, and codes of ethics employed by business associations.

Clearly, though, the force of this legislation, and the reason businessmen sit up and pay attention to the Commission is its enforcement provisions.

One of the early convictions was against the Sharp Corporation of Australia, an action launched by the Attorney-General, and which resulted in a $A100,000 fine for misleading advertising. In this instance, the misleading conduct amounted to an unauthorised use of the Standards Association of Australia trademark on material advertising the company's micro-wave ovens.

A fine of such severity, imposed by the Industrial Court, tended to shock the business community into a state of greater consciousness about the consumer protection provisions of the legislation.

At the moment there are 12 new consumer protection cases pending, most of which are in the field of false and misleading conduct, and false advertising statements, including one action against the giant Sperry Rand Corporation involving the alleged use of a false warranty on calculators.

On the trade practice front there are also a number of important actions under way: a resale price maintenance case again involving the Sharp Corporation; a case against Total Australia where it is alleged that the company refused to supply petroleum to a cut-price petrol retailer; an action to prevent price-fixing arrangements between competitors selling petrol in the Wollongong district of New South Wales; and cases involving Shell's marketing arrangements and the Media Council's accreditation of advertising agencies.

On top of this the Commission monitors current and proposed merger and takeover activity continuously. The legislation says that "a corporation shall not acquire, directly or indirectly, any shares in the capital, or any assets, of a body corporate where the acquisition is likely to have the effect of substantially lessening competition in a market for goods and services." There are some qualifications to this broad principle, namely that the acquisition of assets in the ordinary course of business are not examinable by the commission.

Parties involved in takeover transactions usually notify the Commission and ask for a clearance. The Commission then makes its determination of the competitive effects of such a transaction.

The Attorney-General has the power to direct the Commission to authorise a take-over on public benefit grounds. He has done this in a couple of notable cases, in particular the AMATIL (British Tobacco) take-over of one of the food divisions of Marrickville Holdings, which the Commission had found would have had a damaging concentrating effect on the particular sector of the market. The special considerations that prompt the Attorney to use this power are never stated, but usually they relate to the question of potential increases in unemployment if the merger is not consummated.

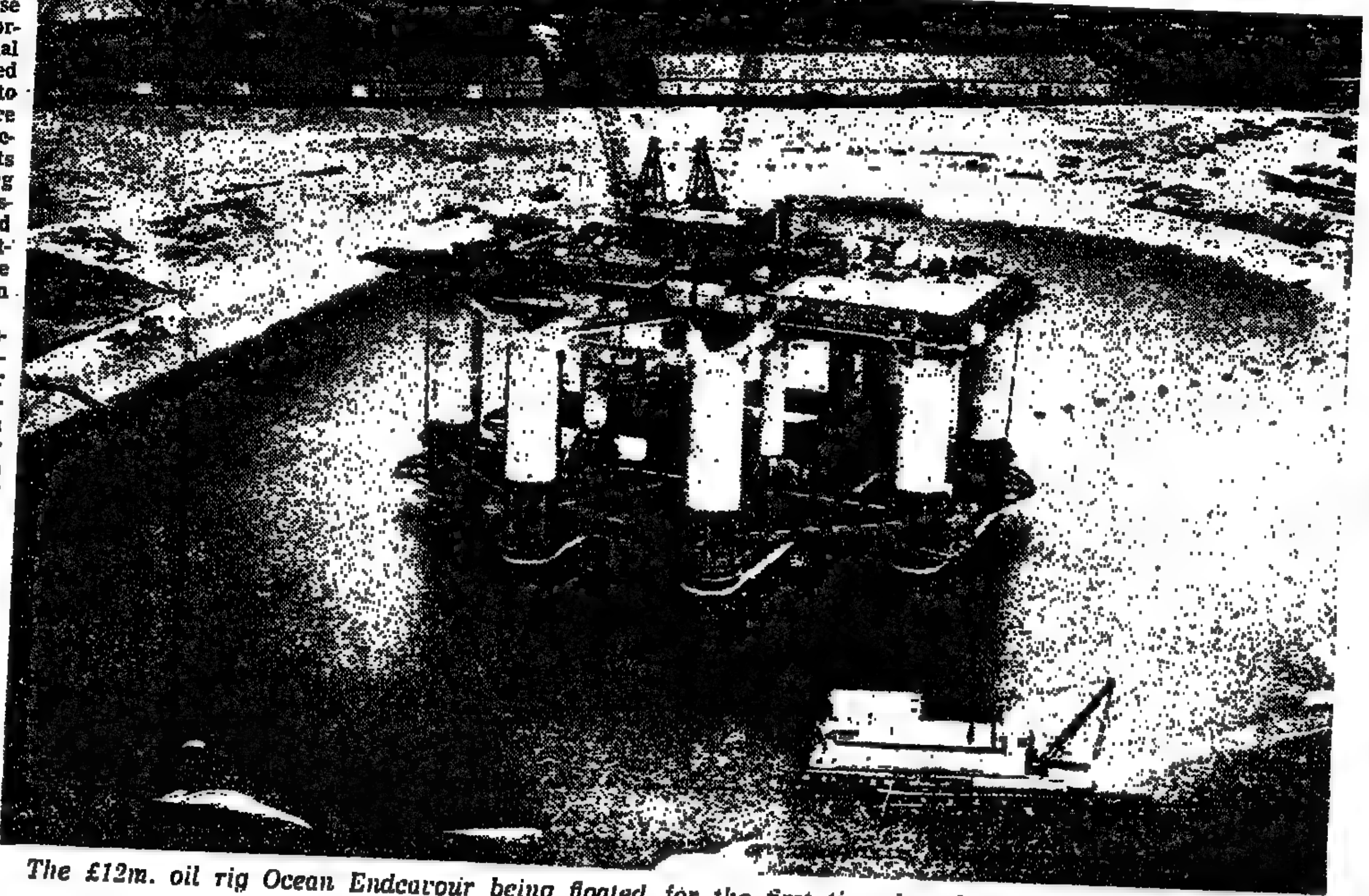
Foreign organisations entering the take-over fray in Australia also have to run the gamut of the Committee on Foreign Take-overs, whose secretariat is within the Federal Treasury. The Treasurer, acting on the recommendations of the Committee on Foreign Take-overs, can make determinations which over-ride those of the Trade Practices Commission in merger cases. However, under the foreign take-overs legislation the determining criteria upon which the screening process is based are "national interest" and "net economic benefit" tests.

In the broad the Trade Practices Act is not anti-business, although it falls hard on particular companies who engage in anti-competitive behaviour or unfair practices. There is a large degree of common interest between business and the community in the private enterprise system, if it works well.

The competition that is the main objective of the Act needs to be understood in the Australian context. It is not textbook competition, but the real competition that exists and the potential competition that is attainable in Australia having regard to size, market structures and technology. In many instances the Commission expects that this will boil down to the competition of the few. Although concentration established before the Act is a fact of life, further concentration, subject to the Act, is likely to be only where scale economy requires it.

But whatever the structure of an industry, the context for its actual conduct has already changed markedly in that restrictive practices previously traditional in all industries are now prohibited in principle.

Richard Ackland
Australian Financial Review



The £12m. oil rig Ocean Endeavour being floated for the first time last January at Woodman Point, Western Australia.

Changes

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esponsible for what he had ctually done.

In fact, Mr. Whitlam has ever felt constrained in merging and separating functions, dentifying new ones and submerging others to match the ersonalities available. There as no better example than his reation in 1972 of the nonunctional portfolio Special inister of State (SMOS) for enator Donald Willesee who as to be Foreign Minister ice Mr. Whitlam himself had vered the essential groundork and was prepared to hand er. SMOS was a waiting-room r a year.

Neither has he hesitated to eate new machinery outside formal boundaries of the blic service for sake of speed d the introduction of new ent. Two such examples, ing served their immediate rpose, are about to disappear. Social Welfare Commission to be absorbed into the partment of Social Security er test-flying a number of ovations in welfare delivery; Cities Commission functions being moved into the partment of Urban and ional Development which ld never quite understand it did not have them in first place (since it was ited by the Whitlam ernment).

milar bodies, with longer objectives and prospects more assured futures— cially under a non-Labor ernment—with independent is, will probably survive. Children's Commission, ols Commission and Films Commission are examples at a relatively non-controversial level. The National Health Insurance Commission which runs Medibank, the Government's national health scheme and the Commission on Community Relations, headed by Labor Government's former immigration minister, Mr. Al Grassby, would have question marks over their future no matter what their structure.

But so far, only one example of the non-departmental machinery established by the Government has drawn a firm promise of abolition from the opposition parties if they win the next election: the Prices Justification Tribunal. It represents one of the most skilful circumventions of the constitution that the Labor Party has devised. The National Government has no power to control prices and PJT does not purport to do so. But it does have power to compel notification of proposed price increases, to call witnesses and in other ways to investigate the proposals.

When it makes its determination of whether the price is justified, the tribunal has no power whatever to enforce it. Public condemnation is the extent of direct action possible in case of defiance, but the fact is that so far there has been none. Many companies have complained loudly and often about the PJT eroding profits, causing more losses through delays and making wrong judgments. But the threat of public opprobrium has been a sufficient deterrent.

The Trade Practices Commission, which has caused even more consternation in some business quarters, has more over powers but they still rest on a surprisingly narrow constitutional base and are bound to be tested at some time soon. The long-established Grants Commission has been revamped to allow it to make grants to regions with a state instead of just to the State Government. An attempt is being made to resurrect the Inter-State Commission—the only one mentioned in the constitution—as a super-controller of transport and associated matters. It faces almost certain opposition rejection in the Senate. The Petroleum and Minerals Authority Act has already been invalidated in the High Court on a technical issue of its passage by the Parliament.

The Senate has rejected legislation to set up an Australian Government Insurance Corporation, an Australian Purchasing Commission and a National Investment Fund to marshal local savings in support of the Australian Industry Development Corporation. Next in line for rejection seems to be the Government's planned Pharmaceutical Corporation, designed to co-ordinate the work of the existing Government serum laboratories and a private enterprise pharmaceutical manufacturing group recently acquired through the AIDC.

One suspects from sales of private guidebooks to the system of Government that the whole process long ago got out of hand so far as public comprehension is concerned.

But there is more to come. Announced, but not yet presented to the Parliament in final legislative form, are the Corporations and Exchange Commission and the Australian Consumer Protection Authority. Attempts will be made again to legislate for the Insurance Corporation and the Petroleum and Minerals Authority. And, of course, there will be the recommendations of the Royal Commission on Government Administration to take into account.

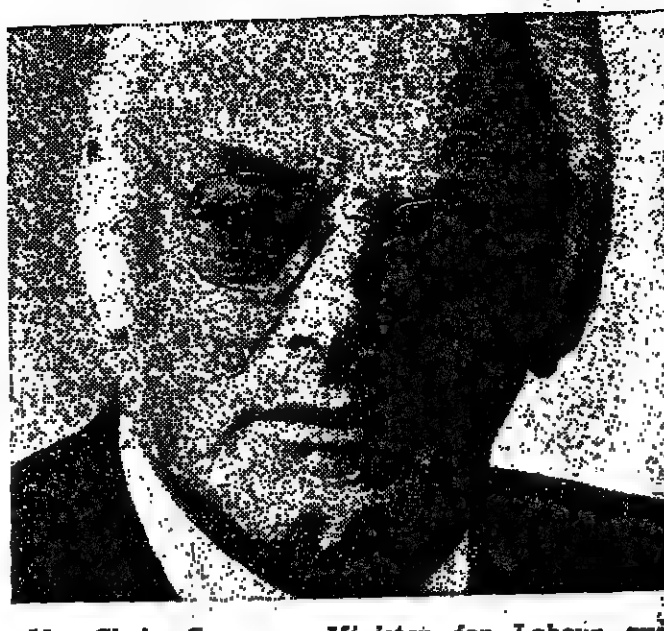
When Labor came to power it was with a suspicion that at least part of the public service was obstructing and undermining it. It was a suspicion that gave impetus to the search for new ways of getting things done. Then, it seemed like a mark of enthusiasm; now, as the search continues with Labor at rock-bottom in popularity and constantly threatened with a premature election it is distinguished more by urgency, grim determination, and a measure of desperation.

Kenneth Randall

View over part of Canberra.

The Labor Government has retreated from a policy of actively encouraging wage increases as a method of redistributing wealth to one of seeking a pause in income growth. A complex array of measures have been introduced to this end; wealth redistribution is now being sought through fiscal methods. Retraining schemes abound.

Industrial relations



Mr. Clyde Cameron, Minister for Labour and Immigration.

IN CONTRAST to the first euphoric days, when it actively encouraged wage and salary increases, the Labor Government has retreated from use of the industrial relations area as a fulcrum for income redistribution in Australia.

It is now using a complex series of measures to try to achieve a "pause" in the wage and salary spiral, and is looking elsewhere—to income maintenance schemes, negative income taxes, changes in the progressive tax scale—to achieve its redistributive policies.

Its record in industrial relations is typical of the Government. The pace and implementation of policy has not been geared to the absorptive capacity of the economy. Decisions have been taken without first seeing how they would assimilate with those in other policy areas, or even others in the same area.

At the same time, the other side of the Government's ledger shows many exciting initiatives in the industrial relations area, especially in the manpower field, including retraining.

After 23 years in the electoral wilderness, the traditional trade union base of the Labor Party was determined that its own team would move to enlarge the worker share of the economic cake.

Unlike Britain, the bulk of Australian wage-settling takes place in the arbitration arena. Australia pioneered a system of compulsory arbitration in 1903, and four years later it developed machinery for an annual review of wage and salary rates, called the national wage case.

Caution

Apart from employer and trade union representatives, the Government also appears in national wage cases. During 23 years of Liberal-Country Party rule, the Government counselled caution, and said any contemplated increase should be "small."

Three months after Labor came to power its counsel was telling the Arbitration Commission that there should be a "substantial" increase granted. Revealing its own impatience, even blindness, to the constraints of the economy, the submission said the commission should not consider the impact of a large increase because that was the Government's responsibility.

The two key points in the Government's policy were increases in wages and a narrowing of relativities between different wage and salary scales. The latter was known as Labor's "Robin Hood" policy — take from the higher salary earners, and redistribute back to the poorer.

Apart from its national wage submissions, the Government pushed for other increases and improvements in conditions through the maze of regulatory machinery existing in Australia's Federal structure. It moved to re-open an equal pay hearing in the Arbitration Commission covering all female employees in the workforce. This resulted in a speeding-up of the introduction of equal pay.

Labor pursued its policy of using the Federal Public Service as a "pace-setter" for wages and conditions for employees in the private sector. It bullied through the semi-independent Public Service Board an increase in annual leave to four weeks, 12 weeks paid maternity leave, a 17½ per cent. loading on annual leave pay, and a shorter qualifying period for long service leave.

The man responsible for administering Labor's industrial relations policy was the South Australian MP, Mr. Clyde Cameron. Born into a poor family, unemployed during the Depression, and a graduate of the rough-house end of trade unionism, the Australian Workers' Union, Mr. Cameron was one of the many Labor traditionalists who went into the Ministry.

Cameron believed in improving the workers' lot by simply forcing up their income levels. He regarded the Labor Party's industrial relations platform as the Bible, and the agnostic Mr. Cameron set about religiously implementing it. Any opposition to the programme, outside or inside the Government, was ruthlessly swept aside.

However, even the single-minded Clyde Cameron realised after eight months in office that he was pursuing a disastrous policy. Inflation, under 5 per cent. when the Government took office, had already reached double figures. The combined effect of the flow-on from the Public Service increases, the generous decision of the Arbitration Commission in the national wage case, and the rapid implementation of equal pay, was generating a round-robin situation on the wages front, with unions making unprecedented claims on their employers.

Inflationary

Cameron's policy was not the only, even major factor. Before the quadruplication of oil prices after the October Middle East war, Australia was in the grip of inflationary forces.

The previous Government, in a desperate bid to stay in office, had pumped money into the system at the dizzy annual rate of 27 per cent. The commodity boom in rural products—wool, wheat, beef and sugar—had forced up domestic prices, and the fat export cheques had swelled liquidity.

But the Government, particularly Mr. Cameron, treated with contempt warnings from its public service advisers that the situation was less than ideal for the implementation of the Labor party programme.

In August, 1973, Cameron launched a bitter attack on the higher levels of the public service, accusing them of being "fat cats" pursuing selfish demands for even more money. However, he did not criticise the blue-collar trade unions, which were still heartily pursuing claims.

Increases for most employees far outstripped inflation, now running at just under 17 per cent. In the 12 months from May, 1973, male average weekly earnings increased from $73.29 to $92.79. In the next 12 months, up to May this year, they increased another $18, or 18.7 per cent. Female rates have almost doubled in the same two years, the increases partly generated by the introduction of equal pay. In the last 12 months, average female rates have increased by 30.5 per cent.

Instead of attacking the militant unions head on, the Government began pushing for a system of wage indexation. Wage indexation based on the consumer price index had been part of the Australian scene from 1921 to 1953, when it was abandoned during a one-year bout of 20 per cent. inflation, induced by the Korean war boom.

The central Government has no constitutional power over incomes in Australia, so indexation could only be introduced on a national basis by the Arbitration Commission. After several public hearings and private conferences the commission finally did this in April this year, 18 months after it was first pushed for by the Government.

However, the commission has only introduced a qualified form of wage indexation. It is based on the quarterly result of the consumer price index, but the commission has ruled out automatic adjustments. It has warned that if unions win further increases outside strict guidelines, it will drop the system.

At present, indexation is working. The immediate reason for this is the slump that hit Australia half-way through last year. With it has come record post-war unemployment, which has reached 4.8 per cent., or 250,000 out of work. While the leaders of militant unions are still pursuing ambitious claims which exceed the indexation guidelines, the threat of losing their jobs has created a quiescent rank and file, even in such traditionally militant unions as the metal-workers.

Strikes have also fallen off as a result of unemployment. 1974 was the worst year for industrial disputes in Australia since 1929, when the old Arbitration Court cut the national basic wage by 10 per cent. However, the first two quarters this year show less working man-days lost through industrial action than in the previous three years.

The long-term prospects for indexation are uncertain. Its opponents say that a return to a situation of tight demand for labour will unleash another series of claims which employers in capital-intensive industries, like oil refining, will have no chance of resisting.

Opponents of the system do not simply reside in big business. The Federal Treasury opposes any form of incomes policy, and says the introduction of indexation during a recessionary situation marked by continuing high rates of inflation, will only postpone general recovery, and exacerbate inflation.

Although the trade union movement endorsed the concept of wage adjustments to keep pace with inflation, it has been reluctant to agree to restricting its claims outside the system. At the same time, it has demanded the complementary introduction of tax indexation.

The fiscal morass the Government has found itself in this year has effectively ruled out the early introduction of tax indexation, quite apart from misgivings about its worth in both the ministry and key economic departments, including Treasury.

Sanctions

However, the Government is considering a wide range of amendments to the Arbitration Act which would emphasise its economic role, and centralise the commission's regulatory functions. Although these amendments fall short of imposing sanctions, their thrust reduces the flexibility left in the system for trade unions to by-pass the indexation guidelines.

The proposals themselves reflect a dramatic shift in the Government's preoccupations. It now realises that introduction of its programme must be tailored to suit changes in economic circumstances. Formal recognition of this took place earlier this year with the replacement of the brilliant but stubborn Mr. Cameron by the more urbane lawyer-politician, Senator James McClelland.

However, before Mr. Cameron himself became absorbed in the wage problem, he instigated a flurry of creative legislative and administrative changes in the industrial relations area.

A Government mission visited Europe and North America to examine manpower schemes. After several reports were published and examined, Mr. Cameron announced the formation of NEAT, the National Employment and Training Scheme.

NEAT amalgamated 14 small but separate retraining scheme[s] already administered by th[e] Government. It extends th[e] retraining concept to incluc[de] all worthy cases, skilled or u[n]skilled, seeking added qualific[a]tions. However, physical a[nd] financial restrictions have mea[nt] that, so far, preference is give[n] to unemployed or otherwi[se] needy cases.

NEAT uses existing technic[al] college, advanced college a[nd] university facilities for tho[se] pursuing courses. They va[ry] from six weeks to a f[ull] university degree. Recipier[nts] have all fees and books pa[id] for, as well as a generous allo[w]ance of about $90 a week.

Like so many Governme[nt] initiatives, it acquired a b[ad] odour within a few months [of] its inception. Its teethi[ng] problems included administ[ra]tive bottlenecks, and the gra[nt]ing of applications for cour[ses] with marginal relevance to t[he] rapidly-changing needs of t[he] Australian workforce.

At one stage, people w[ere] enrolling for technical cours[es] under the NEAT umbrella, [for] jobs in industries wh[ich] another arm of Government [was] phasing-out through its pol[icy] of tariff reductions.

Apart from pushing for eq[ual] pay, Mr. Cameron also in[tro]duced legislation outlaw[ing] discrimination on the job fi[eld]. Several ILO covenants w[ere] ratified, and the Arbitra[tion] Inspectorate was strengthe[ned] and given wider authority [to] prosecute wayward employe[rs].

In the middle of last year, [Mr.] Cameron foreshadowed [the] introduction of an imagina[tive] make-work programme ca[lled] REDS (regional employm[ent] development scheme). R[EDS] is a departure from the u[sual] make-work schemes, with t[he] emphasis on kerbs and gut[ters]. Projects are administered [by] companies, local governm[ent] and semi-government utili[ties]. About $160m. was spent [on] REDS during the last fina[ncial] year, and it currently emp[loys] 30,000.

No headway has been [made] by the Government on the [com]plicated question of wo[rker] participation. Manager[ment-]employee relations in Aust[ralia] are traditionally marked [by] mistrust on both sides. A L[abor] Government has also the a[dded] problem of hostility to the [idea] from its own base, the [trade] union movement. However [an] indirect initiative tow[ards] worker participation has [been] the establishment of a nat[ional] education programme for [trade] unions officials, backed [by] generous funding from [the] Government.

Andrew C[...]
National [...]

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Calmer days in the banking world

AFTER THE upheaval of the last 18 months, the Australian banking and financial world is returning to more normal times. No-one is predicting how long it will last, but the components of the Australian financial structure are returning to their familiar relationships.

For the banks, as much as for the finance companies, the building societies and other non-bank institutions, this is a period of consolidation—of sorting their way back to their traditional borrowers and lenders. It is not a process without its own strains, and indeed the present situation could be argued to be a false peace in so far as it rests upon a monetary policy stance by the Government which is at present benign, but which could—as political pressures mount against the budgetary policy—change quickly.

Nevertheless, it is a good phase in the economic cycle for the financial institutions to get their houses back in order. If there are storms to come, it makes it even more necessary that they should do so now.

The first target for both the institutions and the authorities has been to return to a normal structure of interest rates—that is, to put long-term rates higher than short-term rates. The terms for the Government's August loan confirm the market's establishment of a normal yield curve, following more than a year of inverse yields.

This was desirable from the authorities' point of view, to stem the flood of funds into short-term Government paper. In the year to the end of April, 1975, the private market—dominated by the trading banks—made net purchases of Treasury notes (three- and six-month Government paper) to the tune of $A1.6bn. At the same time, the Government made net purchases worth $A229m. of Government bonds from private holders.

This resort by banks, and the private sector generally, to the Government's shortest paper creates obvious problems for the monetary authorities. It lessens their capacity to administer a restrictive monetary policy through the "freezing" of bank funds in statutory reserve deposits with the Reserve Bank.

Such a call-up of funds would have to be massive if it were to have any real effect upon the immediate ability of the banks to lend, so liquid are they. The authorities have recognised this problem by concentrating instead on the other main arm of its non-market policies—persuasion.

Direction

The banks have been "requested" to keep their lending to a level which—to quote the Reserve Bank's direction—would "meet the basic immediate needs of the economy for finance without being too accommodating to inflationary demands." In fact, the banks were told to keep new lending to $A120m. a week—a direction they are obeying.

The important point for the banks, and the other institutions, is that as a consequence of the very great monetary build-up over the last nine months, they have the capacity to lend at a far greater rate than this. Even with the emergence of a normal yield curve, and a somewhat greater incentive for banks to move into a less liquid structure of assets, the fact is that the banks currently have a ratio of liquid assets to total deposits which would, in normal times, be setting them in search of borrowers.

The Government has not yet used its powers under the new fringe-banking legislation established by Labor to apply the same lending restriction to non-bank institutions like finance companies, merchant banks and building societies. The situation at present, however, is not as inequitable as it might seem.

For one thing, the Government's "lid" on new lending is, at the moment, a rather welcome development for the banks, in that it removes much of the competitive pressure for deposits. That pressure is by no means as great now as it was a year ago, when the banks were scrambling for funds. Nevertheless, the direction from the Reserve Bank will give the opportunity for a breather from interest rate competition for deposits.

A drifting downwards in the banks' discretionary deposit rates—particularly for bank certificates of deposit—would give an opportunity for banks to improve their profitability. Such a movement would also help the non-bank institutions, particularly the finance companies, to attract funds and regain some of the market which they may have expected to be rightly theirs.

If these factors suggest a return to relative calm and normality in Australian banking and finance, one can be less specific about the length of time that state of affairs is likely to last. One important influence over the next year is likely to be the extent of any revival in demand for credit, both by individuals and by companies.

The Government has brought out a budget for 1975-76 whose direct monetary effect is to account for around a 10 per cent growth in the money supply. Against this, the Government is understood to be attempting to restrict the growth of the money supply to less than 20 per cent. for the year. In the March quarter, 1975, M1 grew at an annual rate of 26 per cent., and in the June quarter 17 per cent.

This has led to some concern that the combination of a budget which is insufficiently stringent on Government spending and a monetary growth target which seeks to compensate for the budget's inadequacies will leave too little free funds for the private sector. But it has to be remembered that the Australian economy is currently operating well below capacity.

Consumers are diverting disposable income into precaution savings, while businessmen are still reducing new capital spending, and attempting to disinvest in stocks. No-one can be certain for how long this situation will prevail. But the widely held opinion in Canberra is that there will be no revival in demand and economic activity until the middle of 1976 at the earliest.

In that case, the demand for funds—for business investment and for consumer purchases—from the financial system is not likely to create strains for some time to come.

There is one exception—the demand for funds for housing. The housing market is only now climbing out of its slump which began in early 1974. Demand is increasing quite rapidly, particularly for existing houses.

Closely

The Government is watching this situation closely. It can act directly to curb lending by the savings banks, and use its new powers to do the same for building societies. This is not a situation which is going to arise in the near future, however, if only because the lags involved make it unlikely that strains will emerge in the housing market before the end of 1975-76.

All in all, the Australian financial institutions have left 1974-75 in remarkably better shape than they entered it. Liquidity is high, interest rates are looking more sensible and the market is segmented in a more normal fashion. The capacity for lending is probably far above the requirements of the economy, at least for the rest of 1975.

The Reserve Bank's lending guidelines to the banks stand, however, as a warning to the finance sector as a whole that it had better keep its house in order if stricter direct controls are not to be brought in.

Brian Toohey
Australian Economic Review

Securities law debate

PATRICK PARTNERS, Australia's largest stockbroking house during the great mineral boom of 1970 recently went into liquidation. This will probably come to be regarded as marking the end of an era in Australian capitalism. Patricks was heavily involved with both the rise and fall of many minerals companies, and its demise has sparked new debate over the Federal Government's proposals for regulating the securities business.

Federal Ministers claimed that the Patricks' collapse proved the need for tough Federal regulation and quick progress through the Parliament of their Corporations and Securities Industries Bill.

But rapid change or reform seems unlikely. There is almost universal agreement about the need to avoid a repetition of the stock market excesses of 1969 and 1970, but just as widespread argument over how this is best achieved. The Government's Bill seeks to give quite draconian powers to its proposed Corporations and Exchange Commission, and involves such a complete disregard for State Government regulatory arrangements that it has provoked great hostility.

Almost nil

Its chances of passing the Senate, in which the Opposition and independents have a majority, are almost nil. With the Government's stocks so low with the electorate—37 per cent. on the latest surveys—the Opposition parties are under no inhibitions about rejecting it—in its present form anyway. Only last week, the Opposition spokesman on corporate affairs and former chairman of the Senate Enquiry on Securities, the Liberal Senator Peter Rae said that the Government's Bill "would take Australia on the path of State control of our major business undertakings."

If the Government is prepared to back down and make some significant concessions, the Bill has a chance of being passed into law and the new Commission established early next year. Otherwise, action to reform the Australian securities markets will remain for the foreseeable future in the hands of State Governments and their agencies. They are gradually developing greater power to control corporate crime but they will always be inhibited by over-close relationships between businessmen and State politicians, and their agencies are never likely to have the wide-ranging powers or independence or staffing that might be given to a Federal Securities Commission.

But it is precisely disagreement over the characteristics of the Federal body which is currently delaying the legislation to establish it. As the Government envisages it, the Commission would have virtually unlimited powers to demand information of companies, to specify information to be published in prospectuses and reports, to send officers to attend and participate in meetings of directors, to register and deregister companies and stock exchanges and to suspend dealings in any shares. Decisions of the Commission could not be appealed in the courts, only in a general Administrative Appeals Tribunal which the Government has not yet constituted.

The business world is, not surprisingly, thoroughly hostile to the granting of such huge arbitrary powers to the agency of a Government which it largely distrusts. And in the absence of any withdrawal of State Governments from the area of corporate affairs, the establishment of the new Federal body would merely add another layer to the proliferation of Government agencies to which businesses must report. With all State Governments but one politically hostile to the Federal Government (that includes the Tasmanian Government whose branch of the Labor Party appears to be in process of expulsion from the Federal body) there is no hope for voluntary withdrawal. The States already have an elaborate network of co-operative arrangements for consultation and harmonisation of company laws and most deny the need for the Federal agency.

The view is very widespread in the Australian investing community that the present Labor Government is only interested in aggregating power for itself and its bureaucrats and that they are likely to use the power to the detriment of business. It is the deep distrust of a "socialist" government, together with despair at its ability to solve basic economic problems, which sets the tone of the finance market in Australia. There is some hope that a return to conservative government might improve investment prospects in Australia and so speculation about an early election tends to produce rises in share values. The mid period of 1974 saw share prices on Australian exchanges decline by fully one-third. That was a period of deep disillusionment with the Labor Government and also a time when employment and business confidence were plummetting.

Since October, the Government has turned a somersault in its public stance on the question of company profitability. Since then it has publicly championed corporate profits, arguing that restoration of profit levels is essential for a restoration of business confidence, that business confidence is the prerequisite for resumption of employment and that, above all, wages need to be restrained. Its Prices Justification Tribunal, which had been following a hard anti-profits line, has been ordered to take a newly encouraging attitude to companies' cash flow needs and the Arbitration Commission has been urged to keep wage increases to the rise in the cost of living, leaving room, hopefully, for increases in productivity to go to profits. The chances of Labor Government policies succeeding in restoring company profitability cannot be rated very high.

Upward

Despite this, Australian share prices have been drifting upward since their low in October 1974, the general trend being close to the rate of inflation of consumer prices, so that it may perhaps be said that Australian share values have stabilised in real terms.

Melbourne's Institute of Applied Economic and Social Research has calculated that last financial year the non-finance corporate sector in aggregate made a small after-tax loss once the effect of inflation on depreciation costs was taken into account. If replacement cost accounting was applied to company books, many of Australia's top companies would be broke—one reason perhaps for their reluctance to cease using the old illusionary historic cost systems of bookkeeping.

A Government committee of inquiry under the chairmanship of an Australian National University professor of accounting, Russell Mathews, reported earlier in the year that the very survival of the business sector of the Australian economy depended upon the introduction of pricing, accounting and taxing policies which allowed for inflation. The Mathews Report recommended that a "cost of sales valuation adjustment be calculated" for inventories and that depreciation allowances be indexed. The Government has been slow to act to implement the recommendations of this report. It has such a volume of reports being produced in addition to the normal flow of paper which a modern bureaucracy produces, that key officials have not yet fully considered the report.

But action to help the business sector recover profitability seems certain in an eighteen-month to two-year perspective. Australian public opinion is heavily in favour of business enterprise continuing to dominate manufacturing, mining and established service industries. Disillusionment with inefficient and self-interested nationalised industries—such as the post and telecommunications services, shipping and the railways — is growing and the chances of any government succeeding in further takeovers of business must be rated low.

The present Labor Government includes a number of Ministers who would like to see growing government ownership of business, especially that section which is presently foreign owned. But as the vain search for $4bn. of Arab petrodollar loans proved, this is difficult to accomplish and politically costly.

It is almost a foregone conclusion of people of all persuasions that the present vaguely socialist government will in any case be supplanted by a Liberal Country Party coalition, more sympathetic to business. The Labor Government of Mr. Whitlam seems to have got itself firmly on the path to self-destruction and the only questions are when and how it is displaced. Lacking control of the Upper House, possessing a majority of only three in the House of Representatives, and with opinion surveys showing it has lost fully one-third of the support that got it into office, its days are numbered.

The Opposition on the other hand has the most competent leader since Sir Robert Menzies (which is not saying much) whose standing rises steadily. A highly pragmatic conservative, he seems to be waiting cautiously for the economy to bottom before making his move for an election. He is committed by conviction and policy to giving first priority to restoration of business prosperity which most Australians regard as the foundation of their livelihood and quality of life.

Peter Samuel
The Bulletin

Sagging confidence among manufacturers

AUSTRALIA'S economic recession in the past year, plus rapid acceleration in inflation and some equally rapid swings in Government policy, have brought to a head a long-simmering crisis in Australian manufacturing.

In many quarters, the root causes of the crisis are still not recognised. There is a tendency to blame the Government's exchange rate policy, the removal of export subsidies, tariff cuts and import liberalisation, and rising local costs. All these factors have been important, for some industries and companies they have been critical.

Deeper down, however, is the delayed effect of the ending of Australia's post-war period of industrial growth. It was a growth period catering for unchallenged assumptions of continued economic growth for its own sake, fed by rapid population growth through immigration, protected by high tariff walls, and aimed essentially at import replacement.

Priority

Now the corner-stones have sagged. Economic growth still has a high priority but is increasingly challenged by quality of life issues which often tend to have their strongest impact on manufacturing. Immigration has been tapered off with apparent full public approval. There is a general move towards lower tariffs though still considerable argument about the rate and the policies to go with reductions. And import replacement has lost its growth potential with smaller population growth.

Over the past decade the growth rate of Australian labour productivity has been lower than that for any significant industrial country except the U.S. But in the past two years the share of Gross Domestic Product going to wages has risen substantially with company profits suffering proportionately. The only direction for genuine growth is in exports but too few industries are geared to take advantage of it and many are unwilling to acknowledge the need.

The current dilemma is accentuated by the structure of Australian industry. About 22,000 small companies account for half the value of production, the other half is from about 200 large companies, about half of which have foreign affiliations of one sort or another. The present problems naturally bear heaviest on the small firms. Many of them, in united fronts with their employees' trade unions, have forced the Government to abandon or moderate the few attempts in recent times to initiate long-term policies.

Like productivity, the profits of manufacturing companies in real terms have been falling for a decade and investment has been virtually stagnant. Both the problem and the prospects for recovery are complicated by the situation.

A year ago, the Prime Minister, Mr. Whitlam, appointed a committee headed by the General Manager of CSR, Mr. R. Gordon Jackson, to prepare a green paper on future policies for manufacturing. Its membership included the President of the Australian Council of Trade Unions, Mr. Bob Hawke, the Chief Executive of Conzinc Rio Tinto of Australia, Mr. Rod Carnegie, the permanent head of the Department of Manufacturing Industry, Mr. Neil Currie, and the Chairman of the Industries Assistance Commission, Mr. Alf Rattigan. The green paper is due to appear within a matter of weeks and it is clear that the Government aces most of its hopes for sorting-out the present situation on its contents.

Despite initial scepticism, the committee appears to have worked well. Industry was critical at first at the absence of direct representation for various sectors of manufacturing—reflecting to some extent the entrenched views in favour of tailor-made tariff protection and preservation of the status quo. The Jackson Committee, however, appears to have convinced most of those concerned that the issues are wider and deeper than they were first prepared to believe.

The polarisation, if any is to appear, is not likely to be between the Left-wing and Right-wing members of the committee—exemplified in the popular image by Mr. Hawke and Mr. Carnegie—but between supporters and opponents of Mr. Rattigan. In many key respects, the policies of Mr. Rattigan's Industries Assistance Commission (formerly the Tariff Board) are at the heart of the pending debate.

Resources

Since the mid-1960s, Mr. Rattigan and his commission/board have been pushing relentlessly for the "efficient" allocation of resources through downward pressure on the tariff walls. They were fiercely opposed by the Governments of the early years of their campaign but just as warmly embraced by the Whitlam Government when it came to power. The present I.A.C. with powers and independence far greater than the Tariff Board had, was the result of Mr. Whitlam's support.

But despite the general feeling in favour of lower tariffs there have been growing doubts within the Government and outside about the approach of the I.A.C. The Government's own disastrous experiment with freer trade through the 1973 tariff cut of 25 per cent. across the board demonstrated forcibly the one-sided nature of the I.A.C. strategy. The expert committee which recommended the across-the-board cut to the Government probably would never have done so unless they had been convinced that there would be effective measures to take care of the consequent disruption of local manufacturing.

Whatever their convictions, the measures did not emerge. A structural adjustment scheme, which was to have been a long-term mechanism to manage the process of continuing change through tariff reform, failed to even get off the ground. It was too complex, too rigid and ill-prepared. And after being used as a minor pork barrel during the rapid rise of unemployment last year, it has now become almost moribund.

Critics of the IAC simply do not support its contention that when sufficient pressure is applied, the mechanisms of price and market will see that resources are re-directed from an area made uneconomic to one where they yield a return. Even the ill-fated structural adjustment associated with the tariff cut had something like an "ambulance" role. It picked up the casualties but had virtually nothing to do with avoiding the crash. What is being sought now is the machinery to see that there are alternatives in being when an industry is scheduled for "re-structuring."

The IAC is pressing ahead with a seven-year review of tariff protection for high and medium-cost industries which it began in 1972. Some of these industries have not had their protection level re-examined for 30 years—a factor which is only likely to make the results more painful to them if the IAC's recommendations are accepted.

In the present climate, though, it appears less and less likely that recommendations for change will be accepted unless it is within a whole new policy context. Manufacturing is in an undisguised crisis which will not be ended by a general recovery in the economy. Given that it employs 24 per cent. of the total work force, any government in the near future will be hard pressed to advocate further dislocation in the name of restructuring and more rational allocation of resources. Yet only a decade ago, the manufacturers employed 27-28 per cent. of the workforce. The decline is some measure of the creeping sickness.

It remains to be seen how far the present Government is prepared to tailor its whole web of general fiscal and monetary policies to the improved health of manufacturing. It has retreated steadily from the effects, and even the intentions, of the 25 per cent. tariff cut and its variations in the exchange rate. Import restrictions have been brought in for a wide range of products from cars and footwear to textiles and clothing, mostly because of the local employment situation.

In effect, these measures over the past year have been little more than a reversion to the previous status quo. They were matters of expediency and not part of a though-through policy. If the 1975-76 budget this month was any guide, the scale of the problem to be dealt with, even in the short term, is still grossly underestimated. A modest 2½ per cent. reduction in the general rate of company tax and the continuation for an unspecified period of doubled rates of plant depreciation, are not likely to lead to any significant recovery in the present circumstances.

Recovery

As Mr. Hayden, the Treasurer, acknowledged in his Budget speech, the key to any sort of recovery in the economy, including manufacturing, is expectations. In the manufacturing sector, expectations could not be lower. Confidence has been shattered by events of the past two years, and especially of the past 12 months. In many cases, the scepticism and hostility towards the Government from its early days has developed into deep-seated antagonism to which both sides tend to have automatic responses.

The tariff debate will be the central feature of the coming year. But in a politically unstable atmosphere it will be hard going for those committed to coherent, long-term plans—wherever those people may be.

Kenneth Randall

Ray of light falls on steel profits

FOR AUSTRALIA'S steelmaker Broken Hill Proprietary a troubled year and grim prospects have nevertheless not quite added up to unrelieved gloom. The company reported a loss of $A37.9m. on domestic steel sales for the year ended May 31. More recently, orders have fallen drastically and there are fears of a deluge of imports from an oversupplied world market. Even so on the stock exchanges BHP is something like 50 per cent. up on a year ago.

This fact of course may have nothing to do with steel. Group profits *in toto* were again higher—exceeding $A100m. for the first time—largely thanks to the continuing harvest of oil from the Bass Strait which the company shares with Esso. There is no doubt that oil has been BHP's saving grace for the past few years but it has been a mixed blessing, as the company has been the first to proclaim. The disadvantage is that BHP found it difficult to justify higher steel prices while corporate finances in aggregate were so obviously flourishing. This was as depressing for the stock markets as for the management at 140 William Street and this is where the pall of gloom over BHP must be said to have gradually and partially lifted in the past year.

The essential background fact is that BHP has no choice but to justify its steel pricing policies not only to customers but in the final analysis to the Australian public. This was so under the Liberal Government, more especially towards the end, is very much the position under Labor and shows no sign of being any different in future. That comes of having a monopoly in a basic commodity, for BHP normally supplies about 90 per cent. of domestic steel requirements of around 7m. tons and the balance consists of special steels it does not make.

The fact that it is a monopoly only because BHP prices are considerably lower than those usually ruling on world markets does not cut ice, probably because all concerned are satisfied Australia should be able to make cheap steel under the Labor Government. BHP's obligations were immediately made clear when even before the establishment of the prices Justification Tribunal a proposed price increase was made the subject of a public inquiry early in 1973 (and was cut back on the recommendation of the presiding judge). Between then and the end of June, 1975, steel prices went up 39 per cent. but every bit of the increase had to be pleaded for before the Tribunal, by which in five separate hearings it was approved.

Rising costs

For the company this was far from satisfactory, since the pattern was that the Tribunal only gave its blessing to part of each intended price hike and then only on the basis of cost recoupment. BHP followed the Tribunal's recommendations though these are not legally enforceable—thereby setting a fine example to the corporate sector as a whole but failing to keep up with rising costs.

Thus domestic steelmaking became a loss-making activity on BHP's accounting basis in 1973-74 when steel operations were reported profitable (to the tune of $A8.4m.) only because export prices were at that time booming. Exports were about 1.6m. tons (raw steel equivalent), 20 per cent. of BHP's output of 7.7m. tons. Export markets remained strong in the first months of 1974-75 accounting for the fact that BHP's steel division as a whole returned a loss of only $A5.2m. notwithstanding the disastrous results of domestic trading.

Now, however, the situation is very different, export sales this year will apparently contribute less revenue per ton than domestic turnover. Fortunately there are two reasons why the picture is less black than this description paints, one of them is well known; the other emerged on July 30 last.

The well known part is that BHP's accounting is unusually severe as a result of an annual charge aginst profits for what the company calls fixed asset utilisation. For example, taking the 1973-74 figures the company has conceded that if conventional accounting guidelines are used the steel division's earnings are bumped up from $A8.4m. to $A46.9m., which includes some profit from domestic sales. The figure was given by BHP when it placed yet another submission—the sixth—before the Prices Justification Tribunal in April last.

However, this figure is purely incidental to the significance of the deliberations for which it was supplied, for this was a submission of a different kind. BHP did not this time claim it needed higher prices merely to cover

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Property market faced with oversupply

IN THE city of Sydney last year, in the midst of property company crashes, more office space was let than was completed. Some 1.4m. square feet were occupied while only 1.1m. were built. On the face of it these figures would suggest that the company failures were an anomaly and that conditions in the commercial property market were buoyant.

That the market is depressed and that doubts still surround the future of several companies in the industry is explained, at least in major part, by the effect of industrial trouble in the building industry. The number of office blocks completed in 1974 was far lower than planned, with strikes crippling several major projects.

Combined with a rapid escalation in building costs and interest rates, the delays seriously affected the financial stability of some developers and this year some 2.9m. square feet of space will become available in the central city area of Sydney, of which less than 1m. has been let so far.

Next year the over-supply situation will become worse, with 2.2m. square feet due for completion and 1.9m. still to be let. In 1977 2m. square feet of new buildings are scheduled, with no tenants yet found for 1.6m. of the space.

Arrived

Across the harbour at North Sydney the glut has already well and truly arrived. At the end of 1974 it was estimated that 19.7 per cent. of the office space stock was vacant. Since then the stock has declined but by the end of the year another 559,000 square feet will be available for letting.

On the most optimistic assessments it will not be until 1978 that equilibrium will be reached at North Sydney. Not until 1980 are rentals expected by major agents to rise enough to justify new construction. In central Sydney itself a balance between supply and demand looks as far off as 1980 too.

There are very few new schemes being considered at the moment and those that are have other than strictly commercial motivations. The specialist property developers and investors have made no new commitments in Sydney for well over a year now.

Their withdrawal from the market follows major cost increases. A survey made recently by quantity surveyors estimated building costs had increased by 50 per cent. in 18 months. From $A20 a square foot in 1971 the cost of building was $A33 a foot by the end of last year.

If the current 15 per cent. inflation rate continued, buildings completed in 1980 would be costing some $A76 a foot.

Rentals for the very best office space in Sydney are currently around $A9 per foot. They will have to reach $A15-$A20 to attract the investors back into construction.

In other Australian capitals the over-supply situation is not anywhere near as bad as in Sydney. In Melbourne equilibrium is expected to be reached by late 1977. In Adelaide there is already a shortage of space and rents have begun to rise. Perth, however, with the continuing stagnation of the minerals industry, has substantial vacant space.

The home building industry is also in the depths of a slump. Approvals for new houses and flats in the first three quarters of 1974-75 were 76,700 compared with 131,700 in the same period of 1973-74 and 123,000 in 1972-1973. Construction was begun on some 75,500 houses and flats in the nine months to the end of March—down from 119,100 the previous year.

But for increased home building activity by Federal and State governments the decline would have been even greater. Governments began the construction of 13,400 houses and flats in the first three-quarters of the year. In the whole of 1973-74 governments commenced only 14,300 houses and flats.

There are no signs at present that the housing construction slump has bottomed. Government efforts to restrict Federal Government spending are placing a limit on the growth of the public housing sector. Private developers are still curbed by high interest rates and a growing public reluctance to buy new housing.

Government officials believe that people have been turned off building their own homes by the uncertainty about what they will have to pay. The operation of rise-and-fall contracts in a time of rapid inflation has given a very theoretical nature to building cost quotations.

Booming

Those Australians wanting to purchase homes are turning increasingly to the existing house market. Estate agents report that business is booming and that prices are moving steadily upwards. But the point has not yet been reached when it will be cheaper to build a new home rather than buy an existing one.

When it is, the industry will face another problem—a shortage of prepared land. The lead time in preparing former rural land for subdivision around the major cities in Australia has now reached four or five years. Local councils and State planning bodies are demanding much higher standards of facilities than previously.

The major developers, caught badly by last year's credit squeeze, have virtually retired from the field. The stock of available land is declining and prices are already beginning to edge up. Any large-scale return of demand for new housing will lead to an acute shortage.

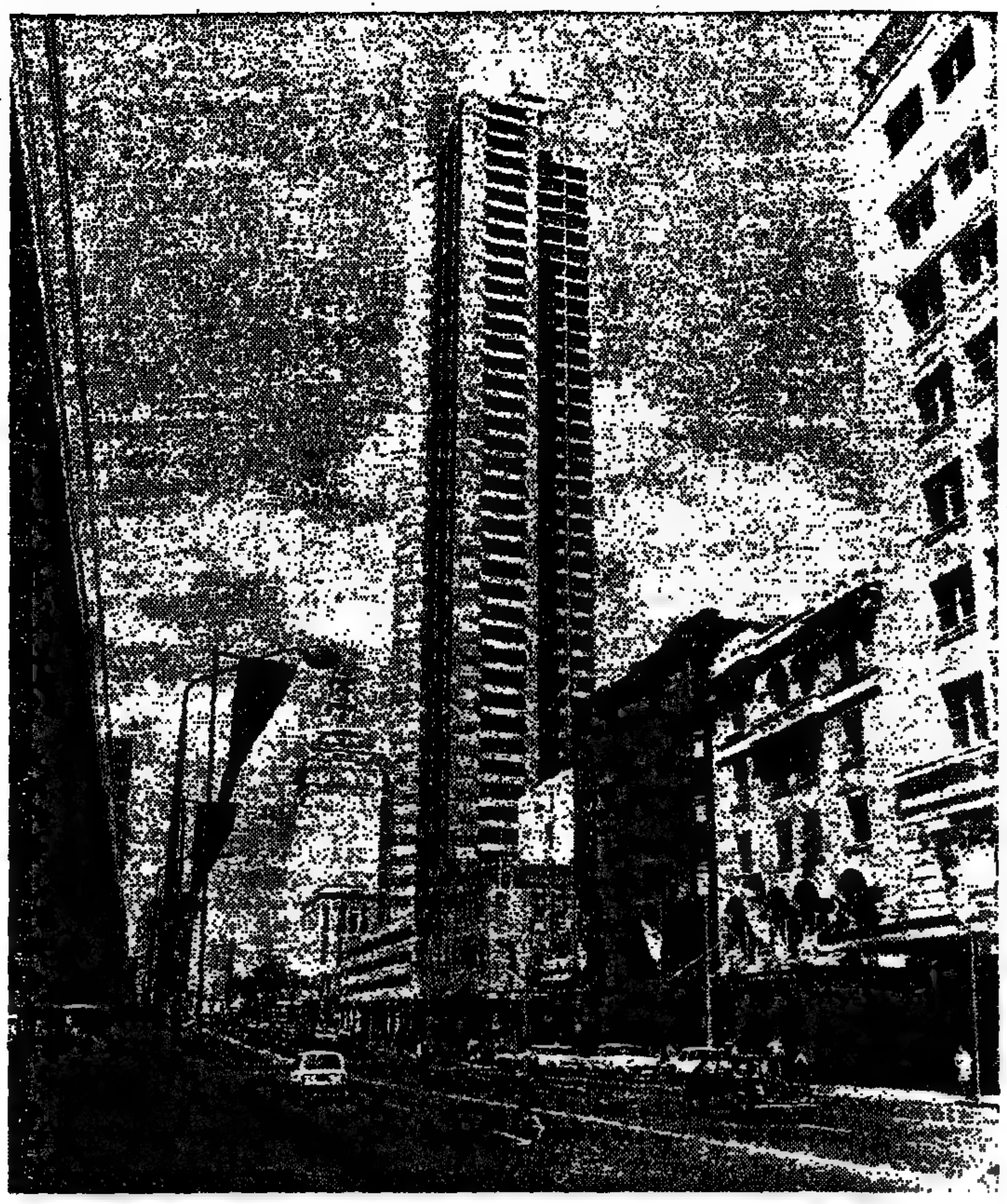
The Australian Government has recognised this problem and has set up Urban Land Councils or Commissions in every State except Queensland. They are designed to act in the same way as private developers to make available developed land. But the Government's curb on spending will limit their effectiveness in the coming year. The councils are unlikely to play any major role in the land market until the end of the 1970s.

The cyclical nature of the home building industry—a feature of the Australian economy since World War II—thus looks likely to continue. The Australian Government, naturally enough given its electoral commitment to home ownership, claims to be moving to iron out the fluctuations.

Earlier this year it established the Indicative Planning Council—designed, in the words of the then Housing Minister, Mr. Les Johnson, "to reduce the size of the violent fluctuations which have become a hallmark of the housing industry." The council will report to the Government on the availability of resources such as finance, labour, materials, land and the level of activity that those resources can support.

The difficulty is in getting such reports accepted as the basis for action. The Labor Government appears to be reverting to the traditional methods of managing the economy and these are the methods that have produced the "violent fluctuations" Mr. Johnson spoke of.

Richard Farmer



The Koala Park Regis hotel/motel in Park Street, Sydney, NSW which is owned by Koala Motels.

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Steel

costs but based its case—for a 14 per cent. price hike — on arguments that it was entitled to a fair profit. The crux of the case was that even applying conventional accounting methods the steel division had earned a mere 4.4 per cent. on shareholders' funds, reducing to 3.8 per cent. if exports were excluded.

The company claimed this was inadequate to justify further investment. It urged the Tribunal to acknowledge that "It is in the public interest that the steel industry should be encouraged and enabled to expand and develop its facilities." It did not require to be stated that for BHP and its shareholders vital interests were at stake. There were important results. The first was that Government delivered a submission of its own to the Tribunal in which it subscribed unequivocally to the principle that "increased rates of capital expenditure on productive capacity are essential for the economic well-being of the nation; also that increased profitability is a prerequisite for such investment."

This gave practical and solid form to a statement by the Prime Minister in Parliament last November. It laid the foundation for the Tribunal's finding (at end-July) that some price increase (it approved 10.5 per cent.) was permissible. Apart from the (not unimportant) detail of whether the approved rise is adequate, the hearing has symbolised healthy recent developments in relations between Government and big business which account for some of the brighter spots on Australia's economic horizon.

Above all, it has shown that a Labor Government and private industry are capable of talking on the same wavelength. This is a tribute to both sides and not least to the manner in which BHP has comported itself since the prices justification machinery was set up. Beyond a shadow of doubt it represents in its wider implications the biggest upside factor operating on business confidence at present. What it means to BHP's future balance sheet in practical terms is unfortunately less clear.

The company is vexed that the Tribunal adopted profitability criteria other than BHP's own and has said it will be coming back for more. It also has another price increase in the pipeline on cost grounds not surprisingly in view of prevailing inflation. Meanwhile it is not clear by how much the company can afford to put up prices right now on purely commercial considerations. Steel orders are reported to be heavily down and Australia is in addition wide open in principle to imports. For example, the tariff on carbon steel is only 6½ per cent., no barrier when world prices are as depressed as at present.

Investment

While this problem of dumping would surely be overcome the fact remains that the economic climate is hardly conducive to large investment in future steel needs, which BHP assumes will grow by 4.7 per cent. a year up to 1985 (and would then be about 9.6m. tons of steel products equal to some 12.3m. tons of raw steel). The Japanese steel makers are gritting their teeth and proceeding with heavy investment this year but almost everybody else in the world is not. In the circumstances it will be surprising if BHP, which has development plans to increase Australia's raw steel capacity by 2.55m. tons to 11.25m. tons by 1982—expansion which it estimates will take $A1.2bn. at current costs—will be seen rushing ahead.

In the immediate future among projects which could fail to make headway is the so-called "jumbo" scheme in Western Australia, which will depend on Japanese partners who would need to commit themselves to a third of the output. This alone may turn out to be a $A2bn. project, according to Japanese sources. BHP has recently completed a feasibility study. The possibility of other entrants into the Australian steel industry is for the moment forgotten.

Peter Dunning

Canberra versus the home States

AUSTRALIA'S FEDERAL constitution almost guarantees a degree of conflict and overlap between the central Government in Canberra and those in the States. In the past 30 years, since the States (as a wartime measure) ceded their right to levy income tax, the tensions have increased irrespective of the political complexions of those holding office in Canberra and the State capitals. But there has never before been the signs of such consistent and open antagonism as now exists.

To survive in a State election earlier this year, the highly successful Premier of South Australia, Mr. Don Dunstan, judged it necessary to publicly and explicitly disassociate himself from the Whitlam Federal Government. There seemed no doubt that the gesture saved his government. He was supported in his action by the former State Labor leader in Queensland, Mr. Tom Burns, who had seen his own Opposition team decimated late last year, at least partly because of its identification with the unpopular administration in Canberra.

When Mr. Burns suffered his thrashing he had to contend with a local atmosphere created by the most virulently anti-Canberra Premier of them all in Mr. Johannes Bjelke-Petersen, the national Party Premier of Queensland. But even Mr. Whitlam accepted the Dunstan action fairly philosophically. He has no illusions about the difficulties his actions and style have created for the State Labor leaders, though sometimes it often seems to be a matter of little concern to him.

The non-Labor Governments and Premiers in the States profess to see the situation in far more sinister terms. "Creeping socialisation" and "creeping republicanism" have been used constantly in the public debate. Mr. Bjelke-Petersen and Mr. Tom Lewis, the New South Wales Premier, seem to believe that the Whitlam objective is to undermine the States to the point of collapse as a means of imposing outright central control throughout Australia.

They point to Mr. Whitlam's long-held view that the State boundaries are, and always were, a colonial anachronism with no real relevance to Australia. On the same view Mr. Whitlam believes that the State Governments in their present form are also anachronisms. He would prefer to see the central government dealing with regional administrations which represented some genuine, definable community of interest.

A token start on just such a system was made by re-vamping the Commonwealth Grants Commission which for many years has recommended on special payments to the less populous States so that they are able to provide services equal to the richer "standard" States, New South Wales and Victoria. The grants commission is now performing the same role for regions, defined by the Federal Government. It is a modest programme by any standards but it establishes a direct central government-regional relationship which by-passes the State Governments and confirms their worst fears.

Extension

There is no real prospect of Mr. Whitlam or any other Prime Minister being able to succeed with referendums to change the constitution so as to do much more in this direction—at least not in the foreseeable future. But the present Government has never lacked ideas for the extension of its powers without constitutional change. There are grey areas where the constitution clearly allows it to prevail in cases of conflict. The current difference is simply that the Whitlam Government is keen to extend where most of its predecessors were not.

The reaction in the "States' rights" camp was well illustrated by an article earlier this year in the strongly anti-centralist Sydney Morning Herald. It described the "formidable infrastructure" created by the Whitlam Government and predicted that not even a non-Labor Government would want to dismantle it entirely because of the power it represented.

"It comes close to mirroring the higher levels of State administrations," said the article. "It abounds with Boards and panels of specialists assigned to acquiring an intimate knowledge of particular State activities, then framing Federal policies towards these activities—policies it then imposes on the States.

"The faceless multitude within this infrastructure has been working like an excited hive of bees in the past two years, gathering every scrap of information it can lay its hands on from within State departments to turn to its advantage."

It follows from such attitudes that the State Governments should feel themselves forced on to the defensive. But the feeling has now gone so far in the non-Labor States that a new Ministerial responsibility of "federal affairs" has been created to monitor every contact with the Canberra Government. Officers of the State public services have been cautioned to watch for hidden traps in every letter and conversation, no matter how innocuous they may appear.

As the Herald article put it: "The attitude of these Governments is that their officers are being called upon continually to serve Canberra in a 'brain-sucking' exercise aimed at gaining it added weaponry with which to undermine the authority of the States."

The simplest fact is that nationally the Labor Party is strongly committed to national policies and national planning. They came to office in 1972 with an extraordinarily detailed programme of action which had been developed, largely under Mr. Whitlam's guidance, over nearly eight years. The plans involved new spending on an immense scale for the benefit of the citizens of the States and the new Government, not surprisingly, wanted to see that the money was spent as intended in its programme—and as endorsed by the voters. Conversely, the States argue that remote Canberra continually seeks to take away from them, the Governments nearer the people, the right of deciding where need exists and funds should be channelled.

The National Conference of the Labour Party last February adopted a motion acknowledging the importance of the States in the making and executing of national policies. Mr. Whitlam used the same forum to announce the formation of a special committee of his senior Ministers to work for better relations with the States. But nothing more has been heard of either initiative. Once the conference was over, the day-to-day pressures of political bickering saw the situation actually worsen.

Yet it is always difficult to devise the acceptable balance between responsibility and financial capacity in a Federal system where the central government has control of the main taxing powers. Only weeks after the Labour Party conference, the then leader of the Federal Opposition, Mr. Bill Snedden, was toppled by Mr. Malcolm Fraser who offered him the shadow Cabinet role of spokesman on these powers.

Mr. Snedden replied: "I cannot accept the area of responsibility which you proposed to me. There is no clear job to do. It is not a position which fully utilises my capacity in the interests of the Party. It could be seen only as a liaison with the States. It leads to no portfolio in Government. It would have the effect of leading me into conflict with my colleagues."

Put-down

It was not clear whether Mr. Snedden envisaged conflict with his Liberal Party colleagues in the State governments, or fellow members of the shadow Cabinet into whose policy areas he would inevitably be crossing. But overall there could hardly be a stronger put-down of the States Liberal Government attitudes that relations with the central government are of such overwhelming importance. Despite appearances recently, the division on the States' rights issue crosses party affiliations now as it always has simply because the issue is power.

In their latest defensive measures, the non-Labor States have formed a body to be called the Council of States, which will have a permanent secretariat in Canberra and apparently operate as something half-way between a diplomatic mission and a lobbying organisation. The founder members have announced that they intend to give it legislative backing in each of their State Parliaments, though to what point is not clear. It will study the implications of new legislation and policies and suggest suitable counter-action to protect State interests, according to the original announcement.

The difficulty about such a concept is that in most instances a determined central government cannot be stopped from acting in the constitutional grey areas by anything except bloody-minded obstructionism. Unfortunately, there are signs that some of the states would accept this as the price.

In areas like company law and stock exchange regulation the efforts of the states to update their laws and make them uniform have failed consistently for years despite demonstrated public demand and Federal pressure. Now that the central government has shown itself serious about stepping in, with over-riding laws where necessary, the hue-and-cry seems to have a reflex quality about it.

Beneath the acrimony which the public may see as the whole story, there is, despite everything, a very wide measure of co-operation between the two levels of government. The states have profited enormously from it in the past three years especially for services like welfare, housing, education, transport improvement, the provision of sewerage and urban renewal. They continue to do so even while in some cases mounting legal challenges to the enabling legislation. One commentator claimed recently: "When the bandages come off, the wounds are small." The trouble is that by constantly rubbing dirt into even small wounds there is risk of infection. The signs already are there.

Kenneth Randall

New South Wales

THE DEPARTURE of Sir Robert Askin after a record term as Premier of New South Wales has seen the State Government fumbling for a new sense of style and direction. The new Premier, Mr. Tom Lewis, is a country Member of Parliament representing a rich farm area south of Sydney. He was a surprise selection in the leadership contest after Sir Robert's retirement — almost an accident of the voting system, according to some of his more critical followers.

Mr. Lewis has not managed to project himself as a sure-footed leader. Between his disputes with the Federal Government and the rumblings within his Cabinet, there is an uncertainty about the State Government that has started to cause concern right through the Liberal Party.

Under their own new leader, Mr. Neville Wran, QC, the Labor Party opposition has acquired a confidence and teamwork that has been missing for a long time. Their chances of winning office at the next State election in February will probably depend to a large extent on Mr. Wran's success in avoiding the fallout of the Federal Labor Government's unpopularity.

Identity

In this respect, his performance so far has been particularly adroit. Mr. Wran has been able to moderate his Federal colleagues on several occasions, disagree with them at other times without causing undue fuss and generally retain a clear identity for his own State team. In the State Parliament, opposition activity dominates the coverage by the media, giving the impression of a government constantly on the defensive.

Mr. Lewis is unable to match the opposition leader in his handling of the news media and has cut back sharply on his attempts. For all these reasons, the build-up to the February elections is important to his future as Liberal Party leader. He has an unavoidably unpopular State Budget to present next month and his position has not been helped by a recently published interview with Sir Robert Askin. In that interview Sir Robert, from his position as Party elder statesman, said he had no doubt that his heir-apparent, Mr. (now Sir) Eric Willis, would have become Premier if he had accepted Sir Robert's help.

Yet despite a sense of government torpor, New South Wales remains unchallenged as the richest, most cosmopolitan of the Australian States and, despite the continuous exchanges between Sydney and Canberra, it has done better than most others from the free-spending programmes of the Federal Labor Government.

The city of Sydney is booming but its outer areas have been feeling increasing strain from the pressure of mounting population. Through a joint Federal-State agreement, a vast arc is being developed around the city's south-western perimeter to cater for a population growth from 25,000 to 100,000 by the end of next year, with a planned growth to 500,000 within the next 25 years.

In addition, New South Wales—and Sydney indirectly—benefit from the two biggest regional growth centre projects supported by the Federal Government: Bathurst-Orange in the central west, and Albury-Wodonga on the Victorian border. The Bathurst-Orange regional plan provides for additional population of 240,000 in the next 25 years—half in an entirely new city between Bathhurst and Orange, and the rest in the existing cities. On the bigger Albury-Wodonga scheme, which began in earnest last financial year, spending is estimated to have reached $A85m. by the end of the 1976-77 financial year.

Kenneth Randall

Foreign

CONTINUED FROM PAGE IV

Earlier this year, the Fiji Prime Minister, Ratu Sir Kamisese Mara, declared that he got a fairer hearing for his country's problems in Europe than was possible from Australia and New Zealand. In Papua New Guinea, the Chief Minister, Mr. Michael Somare, was bitterly critical of the reduction of the growth rate in this year's aid grant from Australia. With independence to be declared on September 16, and with serious secessionist sentiment harassing his Government, Mr. Somare's barbs certainly struck home in Australia but they did not get him more money.

Domestically, foreign policy is close to being a dead issue. The close-to-home questions have attracted attention but no consistent concern. Domestic problems have been such that there is even resentment at Mr. Whitlam's personal attention to foreign relations, as he found last Christmas-New Year in the vitriolic criticism of his extensive European tour. The Opposition has been coasting on largely negative and opportunistic pronouncements and has had difficulty formulating its own long-promised policy statement on international relations.

The level of interest in defence is only marginally higher, despite basic changes that have been introduced by the present Government. The integration of defence administration into a single department where five existed before has been, perhaps, the most fundamental change since Federation but its complexities and consequences have eluded the mass media and most of the voting public. After a period of primary concentration of the personnel side of defence, the Government is now moving back to an area where there is more likelihood of kudos, the area of hardware acquisition.

Build-up

Only last week the Defence Minister, Mr. Morrison, gave some details of the first steps in a new build-up of equipment buying. There will be a modern new transport ship developed from the Royal Navy's "Sir Bedivere" class landing ship logistic, new fire control systems for the navy's Oberon class submarines, new anti-submarine sonar equipment for the navy's destroyer escorts and a start on design development of a new class of coastal patrol boat.

In the army, the time-honoured Bofors gun will be replaced for air defence by the Rapier surface-to-air guided weapon system. The order for 53 Leopard tanks from Germany (to replace 30-year-old Centurions) is being increased to 87, and 2,000 new trucks are being acquired at something like $A14m.

For the air force, there will be a new squadron of medium-range transports within three years and new radar systems.

But despite the popular appeal of defence hardware, the concept behind re-equipment is probably more important. As Mr. Morrison put it: ". . . this is a defence budget explicitly and expertly designed for the defence of Australia and its direct interest . . . this concept of continental defence is reflected throughout the details of expenditure."

Dr. T. B. Millar, of the Australian National University, one of the leading academic commentators on defence, observed recently that "continental defence" was a good phrase but could lead to restricted thinking. "It would be a big mistake," he said, "if it led Australians to think of the defence of Australia as beginning, in military terms, at the edge of the territorial sea."

It might be necessary, he pointed out, to defend oil rigs a 100 miles offshore. But it might also be necessary to make a pre-emptive strike when direct attack threatened.

This sort of capability is notably de-emphasised in current defence thinking. The RAAF has its F-111 aircraft, which Mr. Whitlam has described in public as being more than Australia needs and the tiny squadron of Oberon submarines. But naval air-strike capacity, an essential ingredient, is rapidly running down. There has been no evidence of an early decision to replace the navy's single, ageing aircraft carrier, the Melbourne, and its fixed-wing aircraft. The general emphasis in the fleet re-equipment is, in fact, to coastal patrol and surveillance rather than pre-emptive capacity.

The Labour Party would find it ideologically difficult to consider any equipment programme with a defined pre-emptive capacity. There would also be qualms among the professional foreign policy advisers, who remember Indonesia's reactions in the 1960s when she was painted as a potential aggressor to justify arms purchases.

Dr. Millar's recent paper observed, however: "We do not have to be looking for enemies to justify expenditure on defence, we have simply to look to our own determination to protect our people, our society, our property and our values. Defence is as much a part of that protective process as is the police force, the ambulance service and the fire brigade."

As with foreign policy, the opposition has been regularly and strongly critical of the Government without, as yet, producing an alternative. A draft policy statement prepared recently by the shadow minister for defence, Mr. Jim Killen, was rejected out of hand by the Opposition leader, Mr. Malcolm Fraser. The foreign policy draft from Mr. Andrew Peacock, another shadow minister, suffered the same fate.

Mr. Fraser is now insisting that the new policies be produced and promulgated well before the end of the year and that they deal in broad principles. In all the circumstances, that will be no easy task. And on present indications, raising the genuine level of public interest and debate will be considerably harder.

Kenneth Randall

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A year of traumas for Tasmania

DESPITE the turbulent progress of the national Labor Party Government in Canberra, the focus of internal concern in the party is on Tasmania, the smallest State. A faction fight, which has dragged on for seven years, threatens to split the Tasmanian Labor Party down the middle. In the process it could bring down the State's Labor Goverament and see the formation of a breakaway party on lines similar to the split which damaged Labor so disastrously on the national scene 20 years ago.

In 1968 the secretary of the Trades Hall Council in Tasmania's capital, Hobart, Mr. Brian Harridine, was elected to Labor's national executive and accused "friends of the communists" of trying to prevent him taking his seat. He never did take his seat but his case was never dealt with until a few weeks ago when the current executive expelled Mr. Harridine for acting against the interests of the Labor Party.

Mr. Harridine has appealed but, in the normal course, his appeal would not be heard until the next national conference of the party in 1977. The Tasmanian branch of the Labor Party has refused to accept the national executive decision and believes Mr. Harridine should retain membership rights until his appeal is dealt with. A meeting of the executive in Hobart next month faces a decision whether to intervene in the State affairs, placing it under national control and dissolving the State branch.

If this happens, it will be the culmination of an unprecedented year in the island State.

The most signal event in Tasmania during 1974-75 had a bizarre quality about it — the bridge spanning the Derwent River in the centre of Hobart knocked down by a passing ship.

The accident cost several people their lives and will effectively isolate the city proper from its fastest growing urban satellite and the State's main airport for the next two years or more. It also served to mirror grotesquely the problems of communication which have been a major cause of the island State's slow economic expansion for many years. The bridge collapse was but the centrepiece in a series of economic and political traumas during the financial year.

At the Labor Party's State conference a few months ago, the long-reigning State Premier, Mr. Eric Reece, 65, was deposed by Young Turks looking for a less conservative leadership. Already the same people are plotting to replace Reece's replacement, former Attorney-General Mr. Bill Neilson, whose repeated attempts to explain his leadership failure by the ill-health of various members of his family and himself recently culminated in a Pacific Island holiday cruise.

Deficit

In June the State Treasury unveiled its response to the year of inflation—a revenue deficit of $A13.6m. This was more than double the record deficit set in 1969-70 by the then Liberal Government and would have been much worse had not the Australian Government purchased the State's debilitated and costly railways system during the year.

Sadly, the huge deficit came in a year when the State had just cut itself adrift from the Commonwealth Grants Commission—an Australian Government-sponsored mechanism which subsidises social services spending in the smaller States so that they may enjoy a similar standard of living to their more populous siblings. Surprisingly—despite these troubles and a universally tough year—Tasmanians are presently faring better than most other Australians.

Unemployment levels — usually among the worst in the country — are lower than in almost every other State. This is so despite the selective tariff cuts by the Australian Government which created pockets of severe unemployment in paper-making and textile centres in the north of the State and the slackening in Japanese demand for woodchips which has shrunk employment opportunities in Tasmania's newest export industry.

Part of the reason for the apparent relative stability of Tasmania's employment situation is that public service employers loom large in the small State economy. But big spending through the Federal Government's employment-creating Regional Development Scheme (REDS) and the State Government's Unemployment Relief Scheme has helped insulate the workforce from the full effects of inflation. Although Tasmanians only account for 3 per cent. of the total Australian workforce, they account for 6 per cent. of all Australians employed under REDS.

Two other significant economic pointers—building activity and consumer spending—are also running at high levels in Tasmania.

Although the rapid expansion in tourist accommodation and restaurants has at last halted, a recent survey showed that the number of tourists who visited Tasmania last season represented a growth rate of 16 per cent. in the State's second biggest money-earning industry.

Higher fares

Industry leaders are less sanguine about the season which begins later this year—partly because of the general economic climate and partly because of recent increases of 14 per cent. in air fares between Tasmania and the mainland and 30 per cent. in sea fares.

Meanwhile the State's main man-made tourist attraction, West Point Hotel—Casino (the only legal gambling casino in Australia) is wrestling with the State Government for a reduction in its 30 per cent. gambling taxation rate because of the extent to which losses on the hotel side of the business are being subsidised by the casino's earnings.

The Australian Government's big spending in education and social services in the past year has been readily embraced by Tasmania—not just because the State administration is of the same political complexion, but because there is a long tradition in Tasmania of spending in these areas. This has made the centralist takeover of important areas of Government in Australia more obviously observable in Tasmania.

The State's railway system has already been acquired; the Commonwealth is exerting more control over the development of important sectors of the road system: the new National Health Scheme was enthusiastically welcomed by Tasmania; and national education projects have received full backing from the State administration.

Tasmanian nationalism did surface briefly when Premier Neilson was reprimanded by his Cabinet colleagues for attempting to hand over the State's ill-fated mini-shipping line (two ships sank and the third was involved in a collision) to the Prime Minister.

Potent

But despite the change in the State's leadership very little is coming forward in the way of new initiatives from the State Cabinet, which makes the activities of the Australian Government appear even more potent.

One Cabinet Minister consistently winning (not always favourable) headlines for his boldness is 38-year-old Education and National Parks Minister, Mr. Neil Batt. In the past 12 months he has earned the enmity of all the major churches by dismantling a partly-implemented religious studies course in State schools; the grudging gratitude of conservationists for banning an annual bloodsports festival aimed at the wallaby pest; and the anger of what appeared (from letters to Hobart's main newspaper) to be the whole State by attempting to acquire as part of a national park a 300-acre island that a rich interstate doctor had just purchased as a lifelong retirement dream.

But while Mr. Batt attempts (in his own words) to "raise the level of public consciousness and discussion" about important issues," his rival in the contest to replace Mr. Neilson as Premier, the Deputy Premier, Mr. Doug Lowe, 32, has emerged as a firm favourite. Sporting a quiet and likeable exterior, Mr. Lowe's recent criticisms of Australian Government ascendancy in Tasmanian affairs seems to have struck a chord of nationalism that must lurk in the subconscious of all island people.

Whether this nationalism will ever be raised to the pitch reached several years ago, when there were quite serious attempts to gain support for Tasmanian secession, remains to be seen. But when big increases in air fares and shipping freights were approved at the end of July it seemed that the Australian Government had taken the initiative even in this.

Roger Lupton

Distinctive housing facades in Victoria's capital, Melbourne.

Victoria voters restless

FOR TWO decades the once-conservative State of Victoria has boasted a robust and healthy economy which has blossomed under successive Liberal Party governments. Economic growth has stabilised under the urban Liberal Premier, Mr. Rupert Dick Hamer, after being carefully nurtured the iron-fist rule of his predecessor, Sir Henry Bolte.

The Liberal Government has until now enjoyed an easy electoral ride with only a tattered Opposition to contend with, and the strong economy for support.

Even in times of high inflation and unemployment (now running at about 5 per cent.) the ride is still comfortable for most Victorians. The rate of home ownership—a measure of the Australian Dream for most people—is the highest in the country and claimed to be the highest in the world. The average Victorian earns close to $A160 a week—the second highest rate of all the States. Savings bank deposits, averaging around $A1,200 a head, are the highest in Australia 91 per cent. above the national average.

In the total economy of Australia, Victoria controls more than its fair share of primary and secondary production in terms of job opportunities. The State provides 34 per cent. of manufacturing employment on a soundly developed industrial base covering engineering, chemicals, foodstuffs and textiles. In the primary sector the State produces around 73 per cent. of the country's butter, 9 per cent. of the cheese and around 30 per cent. of meat.

Manufacturing industry is backed up with extensive natural resources including brown coal, natural gas and crude oil. The State now provides about 70 per cent. of Australia's crude oil requirements.

But despite the apparent affluence Premier Hamer has his problems, including a growing disenchantment among the middle class voters that elected him to power on a platform of progressive, environment-conscious reforms. After taking over from the conservative stalwart, Sir Henry Bolte, Mr. Hamer set about carving out his own reputation as a progressive concerned more with quality rather than the "quantities" that life has to offer.

His move was a timely one. Since Sir Henry's departure the State has moved away from the Tory mould, giving Labor Prime Minister Mr. Whitlam the crucial seats in two Federal elections to win power.

Voter disenchantment is focused around the State Premier's inability to deliver new legislation and to control his Cabinet. Although Mr. Hamer has established a moderate, forward-looking image, he is saddled with the Right-wing Cabinet of Sir Henry Bolte. With an inbuilt Cabinet reluctance to approve innovative policy the Premier has been forced time and time again to capitulate on new legislation.

Commonwealth-State relations have highlighted the Cabinet divisions more than any other single issue. Mr. Hamer has skilfully practised a policy of hunting with the Conservative hounds while running with the Socialist foxes.

Ever willing to accept Federal Government money from the Labor Government particularly in the form of subsidies and grants for land price control schemes, the Premier has nevertheless been quick to join in the State Premier's chorus protesting the "creeping socialism" of the Canberra Government. While Mr. Hamer has performed this role with remarkable skill, his Ministers in contrast have been reckless and naive in their dealings with the Federal Government.

Bickering

The most embarrassing example was the behaviour of the State Health Minister, Mr. Scanlan, over the new Medibank scheme that will provide Australians with a national health cover. Mr. Scanlan's refusal to answer Canberra correspondence, his political bickering and support for vested interest groups, has cost Victorians $A1m. unnecessarily.

In recent weeks, however, Mr. Hamer's fortunes have taken a turn for the better. Four of his toughest Cabinet opponents, the Attorney-General Sir Vernon Wilcox, the Minister for Transport, Mr. Meagher, the Housing Minister, Mr. Dickie, and the Chief Secretary, Mr. Rossiter, have all announced that they will retire. The spate of retirements will give the Premier his much-needed chance to revamp the Cabinet.

For Mr. Hamer, the opportunity to replace the hard-liners with young, able men cannot come soon enough. The Ministers have indicated that they will stay in politics until next year's elections. The Premier, who ran his last campaign on the slogan "Hamer makes it happen," will have to ask the people of Victoria to be just a little more patient before the happening really begins.

Russell Skelton
The Age

South Australia

TO LOOK at it, South Australia *is nothing much more than* Adelaide and the desert. Its natural resources are few, it has no permanent river, and its rural industries are confined to the south east corner and a span of wheat country west of Adelaide.

However, South Australia is the State least affected in Australia's *current slump.* It has fewer industrial disputes, and the recent decision of the *Federal Government* to set up a large four-cylinder engine plant has re-affirmed its gran*diose claim* to be the "Detroit of the southern hemisphere."

The State's insularity extends *to* its political climate. The Dunstan State Labor Government was returned to office at an election earlier this year *two weeks* after the Federal Government lost a by-election in Tasmania with a disastrous *swing of 17 per cent.*

South Australia's uniqueness began with its first settlement in *1838. No convicts* were let into the colony, and within 14 years it had achieved self-government, and established a Legislative Council with a restricted but liberal franchise.

The State's contemporary character took root during the war. Because of its isolation, Adelaide was used as a centre for Australian armaments industry. The Woomera rocket range, site of the British Blue Streak programme, was set up in the desert north of Adelaide.

After the war *ended Mr.* Tom Playford, a resourceful Baptist orchardist turned Premier struck up a close rapport with the Federal Government, and established Adelaide as the base for the infant Australian *automobile* industry. Adelaide now houses plants for General Motors-Holden, and Chrysler. *The new engine* plant is a joint venture involving the Australian Government through the *Australian Industry* Development Corporation with Chrysler, Nissan and Toyota.

Electrical

Adelaide is also a major centre for the Australian white *goods and electrical industries.* Along with cars, these two are also normally sensitive to economic downturns, but employment has remained relatively steady in the economic recession of the past year.

However, there exists a strange dichotomy between the State's industrial policies and its far-sighted programme in *housing, urban improvement,* welfare and the arts.

During the first 18 months of the Federal Labor Government, an enthusiastic policy of tariff *reductions was pursued,* reaching its high point with an across-the-board 25 per cent. tariff cut *in July, 1973.*

Feeling the State's industrial base was threatened, the urbane Premier, Mr. Don Dunstan, mounted a campaign against the Government's tariff policies. His own eloquence, and the considerable pull of the South Australian Labor machine in the Federal sphere, were powerful *factors* in the general retreat of the Government from its original stand.

At the *same time Mr.* Dunstan has pushed ahead with his "Social Laboratory" programme. The State leads Australia in consumer protection, environmental awareness, workable programme of urban renewal, abolition of victimless crimes from the statute books, and effective support for the arts.

One of the most outstanding successes in the arts field has been the South Australian Film Development Corporation. Started in 1971, the corporation has won several awards including one at the Cannes Film Festival. Its latest effort, "Sunday Too Far Away," has been hailed by some critics as the best film ever made about Australia.

Adelaide is now blessed with a magnificent festival complex in the heart of the city, which houses theatre, opera and ballet companies.

Adelaide is the envy of other State capitals. With a population of 800,000 it is unpolluted *the traffic* flows smoothly, *the* city centre has many parks, and action by both the State Government and City Council has preserved much of its *charming colonial* architecture. It is also the repository of some hyperbolic self-adulation. One artistic importer *once had such* an acute attack of verbal diarrhoea that he described it as *"Florence on Torrens."* (For a start the Torrens is not a river just a silted-up dam.)

Andrew Clark

Western Australia

WESTERN AUSTRALIA has rolled through 1975 under the momentum of the 1960s mining book and earlier agricultural expansions. In the era of resource power, the State's great natural wealth remains more tightly bottled up than *ever through a combination of* obstructive Federal policies, damaging inflation, and soft demand *for most* West Australian products.

Iron dominates the economy, and last year Australia moved into second place as a world producer behind only the USSR. The Pilbara region, where exports started ten years ago, accounted *for 84m. tonnes of* Australia's 95m. tonnes, and this year is expected to mine *100m. tonnes of ore.*

Last summer's wheat crop was 3.3m. tonnes, of the national *11.7m. tonnes.* Prospects this year are for a record production of 3.4m. tonnes, accounting for more than one-third the Australian total.

New town

But that represents only the base-line. The expansive pattern that created a new town each year since 1963 was broken in 1972. Although the Telfer *gold operation, inland* from the Pilbara iron regions, is being geared up to produce next year for Newmont and Broken Hill Pty., the vital resource industry has regressed.

Kalgoorlie gold miners have cut back production to high-grade *deposits only. Smaller* nickel mines have closed or reduced the scale of their operation. *Only one offshore oil rig* is operating on the west coast, its potential ranked alongside *that of the North Sea three* years ago. The strongest resource companies are still sacking exploration geologists.

Even the best prospects cannot be made attractive enough to justify the heavy financing involved. The classic example *is Agnew,* the Selection Trust-MIM holding's nickel orebody, expected to have been poised to *start in April.*

Construction cost inflation running at nearly 4 per cent. a *month has proved too much at* least, until the expected upturn in demand and price appears.

Western Australians are learning to their great frustra*tion that resources* without stability lose their magic. If money and technology cannot be applied to them, *they remain as* dirt. And in the learning process, inflation has come along *to push development costs out of range.*

North-west Shelf natural gas can no longer be regarded as a cheap energy source. The price of getting it ashore is being assessed on a level with imported Middle East crude, two-*and-a-half to six times higher* than estimates of less than two years ago in the joint Federal-State Pilbara *study that commended* petrochemicals and other industries for the north-west coast.

Although Western Australia's narrow manufacturing base has helped insulate the cities from the general recession, businesses grew accustomed to continuing expansion and anticipated it. Perth this year will finish just *under 1m. square feet of new* office space, much of it unlet and with Government departments the main tenants.

Yet typically, the turnaround, regarded as inevitable in time, could come quickly and sharply. The "jumbo" steel mill project would duplicate, in one plant, the growth rate of the first Pilbara years. This proposal, being studied by a consortium of 13 companies from Britain, Holland, Japan, the U.S. and Aus*tralia, calls for national steel* capacity to be doubled, supplying semi-finished steel to the *participants. The most likely* site is just north of Perth.

If during the coming year *commodity prices* move ahead, and the Federal Government changes with clear indications that it will not be a one-term wonder, Western Australia has several *major projects* ready to make up for lost time. The State has the natural resources and the desire to develop *them* without nationalising them. What is still lacking is the right cli*mate for capital formation.*

Donald Lipscombe

Queensland

QUEENSLAND, AUSTRALIA *has probably never been quite* so appropriately named. There are very few bastions left as *the southern sun sets* on the Empire, but this vast northern State, bisected by the Tropic of Capricorn at Rockhampton, is holding out against the "creeping republicanism" of Mr. Gough Whitlam's Labor Government in Canberra.

Premier Johannes Bjelke-Peterson, a farmer of Danish parentage, has progressed from *being something of an antipo*dean political joke in the early 1970s to a rallying point for *anti-centralism, anti-socialism* and economic autonomy for Australia's State governments. The *departure* from the Federal-State stage of Victoria's charismatic rustic leader, Sir Henry Bolte, and of Sir Robert Askin in New South Wales, left a gaping hole in the Liberal-Country Party ranks committed to staving off Mr. Whitlam's so-called back-door socialisation programme begun in December, 1972.

He has taken the *Labor* Party head on and—in his own State, at least—scored well. His unashamedly conservative dogma has won him both kudos and votes: in the 1974 State *polls, he trounced* the *local* Labor opposition. The heavily pro-National Party (the premier's own version of the farm-based Country Party) gerrymander of electorates was not entirely responsible for *massive swing against* Lab[illegible] which was left with a meag[illegible] 11 seats in the State Parliame[illegible] in Brisbane. Mr. Bjelke-Pete[illegible]son hailed their humiliati[illegible] result as a vote for his sty[illegible] of politics anti-Communi[illegible] royalist, laissez-faire, free ente[illegible]prise with its origins in Queen[illegible]land's pastoral and mini[illegible] industries.

An *irrepressibly* confide[illegible] Mr. Whitlam personal[illegible] entered the election and foug[illegible] it *on* Mr. *Bjelke-Peterso*[illegible] ground rules. In many wa[illegible] it signalled the diminishing f[illegible] *times of Labour throughout* [illegible] dry, brown continent. It w[illegible] increasingly obvious that wh[illegible] *Mr. Harold Wilson could thu*[illegible] his nose at the Queensla[illegible] Premier's state rights bleatin[illegible] in London, the embattled M[illegible] Whitlam could not—or shou[illegible] not, in the interests of [illegible] party's future as a Governm[illegible] at the national level.

Queensland—in the same w[illegible] as the other five states—[illegible] benefited from Labor's gen[illegible] ous social programme in [illegible] areas of education, health a[illegible] welfare generally. But it a[illegible] suffered via *enforced econom*[illegible] stringency — higher inter[illegible] rates, tight liquidity, he[illegible] *public spending* at the expe[illegible] of earlier private incentiv[illegible] Relentless inflation at around [illegible] per cent., record levels of [illegible] employment and the cost-pr[illegible] bind have produced a cla[illegible] stagflation situation in Austra[illegible] that can hardly be called a vo[illegible] winner. Labor Party *antag*[illegible]ism towards the overseas min[illegible] companies entrenched in [illegible] *mineral-rich north, and its* [illegible]fusing attitude towards Japan[illegible] trade so vital to Queensla[illegible] have done nothing to impr[illegible] the national *Government's* po[illegible]larity there.

Mr. Bjelke-Peterson — iro[illegible]cally enough—lost points in [illegible] Japanese trade front. *He tr*[illegible] a three-card trick in *attempt*[illegible] to play Tokyo off against [illegible] Whitlam on beef and [illegible] exports. In fact, his efforts [illegible] deal directly with Japan [illegible] these two lucrative Queensla[illegible] products have transferred [illegible] political brawl with *Canbe*[illegible] on to the more relevant [illegible] of trade balances. The Cent[illegible] *Government* in Australia [illegible] Labor or otherwise—[illegible] holds the purse strings and [illegible] country's *ultimate* im[illegible] export powers.

The way in which this [illegible] *of politico-economic* affairs [illegible] resolved (or not resolv[illegible]) could hold the key to the fu[illegible] *of the* Whitlam Government [illegible] and the complexion of [illegible] country's policies both intern[illegible] and externally. If the La[illegible] Party can regain enough of [illegible] denuded vote in Queensla[illegible] sarcastically dubbed the "[illegible] north" and "the ban[illegible] republic"—it could also sav[illegible] *its national position* sufficie[illegible] to give it greater chance [illegible] survival.

Remoteness is an Austra[illegible] fact of life and one that [illegible] Whitlam has recognised [illegible] dealt with through bold in[illegible] and foreign initiatives. [illegible]doxically, his remoteness [illegible] home revealed by the estra[illegible]ment of Queensland could [illegible] prove to be his downfall.

George N[illegible]

Darwin reborn

WHEN DARWIN was torn apart by Cyclone Tracy in the early *hours* of Christmas Day last year, there were many who believed that its future as a major growth city was gone. They argued that growth had been sustained at inordinate cost to the rest of the Australian community, compared with real *economic benefit.* But Darwin has defied that type of argument.

In this year's budget the reconstruction programme was allocated $A100m. Another $A48m. was provided for continuing relief measures. Rebuilding of the Northern Territory capital is *now moving into* its first main phase; with the Government apparently firmly committed to making it at least as big, and certainly better than ever.

Cyclone Tracy was Australia's worst natural disaster in all but terms of loss of life. Of the 12,000 houses and flats struck, only 400 were left basically intact. By May contracts had been signed for construction of 1,300 new houses conforming to strict new standards of cyclone resistance. The major contractor is gearing up to a production rate of 12 houses a week under a programme designed to provide everyone in Darwin, by next Christmas, with accommodation that is at least proof against the wet season.

Another 1,200 modular houses will follow, requiring a longer lead time before construction begins but offering a rapid turn-off rate once the necessary systems are established.

In addition, work has restarted on building contracts worth about $A50m. for hos*pitals, offices, flats and com*munity facilities. The Darwin Reconstruction Commission, appointed by the Government immediately after the cyclone, is working on a five-year redevelopment programme for an area extending for 40 kilo*metres around the city centre.*

But Darwin is likely to remain a delicate political problem for years to come. The unedifying spectacle of local and Federal Government *authorities squabbling* over the right to handle publicly donated relief funds early in the piece *set a pattern which will be* difficult to erase.

Building

There has been *criticism* of the fact that it was six months to the day before work began on the first new house *in the* building programme. Yet, by normal standards, the Reconstruction Commission had moved with remarkable speed. A new draft building code and town plan had been produced by March and 1,200 objections to the plan had been dealt with by June.

Thousands of Darwin people remain scattered around Australia, however, fretful and often suffering in more serious ways from the aftermath of Christmas Day. How many will ever return to Darwin is a *matter for guesswork. Some* have had their lives wrecked and have reacted bitterly against every aspect of the relief and reconstruction programmes.

But 500 *people have applied* for the Government's special home loans ($A42,000 at 6 per cent. over 45 years) and 140 loans have been made from a business relief fund, for a total payout of $A2.2m. (at 5 per cent. with no repayment in the first *year).* Ever since entry restrictions were eased there has been a steady flow of people *back to the wrecked city,* even to the prospect of living in the 1,200 caravans and 500 portable *dwellings on which $A15m.* have been spent.

Except for beef production, which is still severely depressed, prospects for the territory's economy are reasonably good. Mineral production last year was $A141.9m., compared with $A105.9m. in the previous year, with new programmes announced for uranium exploration, manganese production and testing for lead-zinc development.

The enthusiastic Minister for Northern Australia, Dr. Rex Patterson, regularly reminds audiences that coastal towns in Queensland have been rebuilt after cyclones to become thriving cities. "Darwin," he declares, "will do the same."

Kenneth Randall

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On the eve of the Sandilands Report, **Professor A. J. Merrett** updates his controversial analysis of corporate financial viability

The 'Doomsday Machine' revisited

WITH THE Sandilands Committee Report due to be published in the next few days, this article tries to update the statistics and pull together the threads of the debate on the profitability of British industry that has taken place since the publication of the article "U.K. Industry: The Real Crisis" by Alan Sykes and the present author in these columns on September 30 last year. That article argued that, on a replacement cost basis, the profits of U.K. manufacturing and commercial companies had suffered grave deterioration — particularly in 1973. These results were challenged by some accountants (and even some academics) who argued for the continued relevance of historic cost accounting.

The other source of dispute and confusion has been the particular profit figures to be used in the debate. Yet the principal (if not the *only*) issue of any importance in this debate is that of the financial viability of British industry. If this is the case, it seems to be beyond any reasonable doubt that the key statistic is the net of interest, net of tax "profit" accruing to the equity shareholders. If this falls to inadequate levels, shareholders will be reluctant to acquiesce in profits being retained for re-investment and there will be increasing difficulty in raising new equity capital.

At the same time, the companies themselves, even if indifferent to the wishes of shareholders, must be expected to show a reluctance to invest where the return to equity capital is inadequate since the net of interest, net of tax profit is also the company's safety margin (all that is left in the hands of the company) for all the risks incurred by taking on the costs involved in new investments.

The figures for trading profits (gross of interest and gross of tax) commonly used in the representation of trends in profitability are therefore open to considerable criticism. For example, it would be entirely possible that tax reductions, investment grants, etc., were offsetting any supposed decline in gross profits. But recent attempts to refine these figures by taking out estimated taxes paid while leaving the figures gross of interest, produce statistics even further removed from relevance to the financial viability of industry.

Taxation

This is obvious from the example of a company which initially has profits of £200,000, no indebtedness and pays tax at 50 per cent. so that it has a net of tax profit of £100,000. The effect of deducting tax, which is itself reduced by the tax deductibility of interest, would be to make the profit net of tax increase with the company's indebtedness. For example, if it incurred interest charges of £300,000 against the same gross profits of £200,000, its profits net of tax, on this definition, would rise from £100,000 to £200,000 as the interest charge extinguished the tax liability. Yet the company is obviously heading for bankruptcy since it has £300,000 of interest charges against £200,000 of profit.

Granted then that profits net of tax *and* net of interest are the statistics relevant to corporate viability, there remains the question of the adjustment to be made for taxes and for inflation. The issue as regards taxes is whether taxes actually *paid* or taxes *provided for* should be used in the calculation — a distinction of some importance since the latter are 40 per cent. higher than the former. This problem is at its most obvious where companies are enjoying free depreciation for tax purposes and this greatly reduces, or substantially wipes out, their *current* liability to pay tax.

The answer can be seen if we start from a position in which the company's depreciation policy (say straight line) was soundly based and exactly matched by tax allowable depreciation so that, as regards this item, taxes paid and taxes provided for would be identical. If now free depreciation were introduced, its treatment in the profit and loss account should follow from the computation of what the company would pay (net of tax) for the benefit of free as opposed to the former straight line tax allowable depreciation. Effectively the benefit amounts to giving tax relief all at once rather than spread out over a number of years.

At, say, 10 per cent. net of tax interest rate, this advantage is identical to simply allowing companies straight line tax depreciation plus (at 52 per cent. corporation tax) a tax *remission* equal to 15 per cent. of the cost of the asset. Hence the most that could be argued is that the shift to free depreciation should be reflected in the tax charge being reduced by 15 per cent. of the investment. But simply taking tax paid so that tax is reduced by 52 per cent. of the investment, is effectively treating the gain from free depreciation initially as worth 3½ times the 15 per cent. that reflects its true advantage.

While not entirely accurate, therefore, treating free depreciation along the lines of the tax provision procedure of the accountants, spreading the tax relief over the life of the asset would be a better representation of the gain—particularly since this would pick up "interest saving" from free depreciation in the shape of savings in interest as the tax provision is utilised to reduce other borrowing.

U.K. INDUSTRIAL AND COMMERCIAL COMPANIES (£m.)

	1972	1973
Gross Trading Profits, Rent, etc.	7,981	10,284
Capital Consumption	(2,249)	(2,597)
Stock Appreciation	(1,105)	(2,516)
Profits Pre-Tax	4,627	5,171
Interest	(1,483)	(2,372)
Tax	(1,032)	(1,764)
Profits net of tax	2,112	1,035

Tax provision can also be greater than tax paid because of taxable profits increasing and the fact that taxes are paid some months in arrears. The provision basis is again more accurate than tax paid both for reasons similar to those in the case of free depreciation and because accrual is basic to almost all accounting data—for example, to debtors and creditors—and hence could not be *selectively* applied to taxation alone.

Apparently authoritative leaks to the Press suggest that the Sandilands Committee will recommend supplementary profit statements based upon present value accounting. As regards the profit and loss statement, this is substantially the same as the form of replacement cost accounting advocated by Alan Sykes and the present author. In particular, the Committee is expected to recommend a method comparable in effect (although not method) to the long established and common American practice of LIFO for stocks.

This effectively means that stocks used in any year will be charged in the profit and loss account as something like current replacement cost (the cost of the last items taken into stock) as opposed to the cost of the *oldest* of the stocks (the FIFO system used in the U.K. hitherto) which effectively makes the cost charged in the profit and loss account some months out of date. While this may seem to be a technical refinement, it would probably reduce the net of tax profits of companies in manufacturing and commerce by around 71 per cent. in 1973.

Reports also suggest that Sandilands will advocate current replacement cost for fixed assets. Although this is the most hotly debated issue, it is the least significant since the difference between historic cost and replacement cost in recent years has probably been less than half the adjustment for the so-called "stock appreciation" just referred to.

An obvious question then is what the profitability of U.K. industry would look like under the procedures which the Sandilands Committee is expected to recommend. The best estimates that can be made, until the detailed report is available, is shown in the accompanying table. This relates to net of interest and net of tax profits as outlined above, but is less estimated replacement cost of fixed assets (not historic cost) and stock appreciation. The 1973 profit is seen to be less than half that of 1972. (The 1974 data will not be officially released until about the time of the Sandilands Report.)

Capital base

Finally, on this point, the fact that the profit figures are already so low obviates the necessity of tackling in detail the problem of just what capital base is appropriate to these profits and so working out the rate of return. It is not, as is sometimes assumed, the replacement cost of the assets producing the profits. Effectively replacement - cost - accounting amounts to treating some expenditures, which were formerly classified as investments, as current expenses and, if this is the case, these same expenses cannot also be included as part of investment in a capital base. There is then a transitional problem in that the existing capital base already includes a mass of such expenditures which have historically been treated as investments.

The numbers in the table relate to profits over three years. Quite apart from adjustments for inflation accounting, longer term trends in profitability over time, where a significant proportion of the profits are retained, are virtually meaningless either as a basis for assessing corporate financial viability of a company or even simply comparing trends with other forms of income such as income from employment. This is clear if we consider the case of two companies both of which have identical levels and expected rates of growth of profit, but one of them is achieving this growth of profits while paying out 100 per cent. of profits as dividends and the other only by retaining 100 per cent. of profits each year. It is obvious that the company offering the same profits, but with 100 per cent. distribution is by far the more valuable since the shareholder actually receives all the profit and can invest it elsewhere to increase his income —for example, he can make *more* profit.

Profitability

To make profits of the two companies comparable and to make profits in any way comparable with other forms of income such as interest or wages, they have to be adjusted to turn them, as far as possible, into their equivalent *in terms of cash in the hands of the shareholders*. Alternatively, the profits can be adjusted for a notional "interest charge" intended to compensate the shareholders for the profits withheld and retained and re-invested in the company.

This correction has a major effect on trends in profitability. For example, without this correction, net of tax profits on an historic cost basis appeared to rise by 69 per cent. over the decade to 1973 (the last most recent period of even relative stability). With the correction to turn the profits into their equivalent in cash in the hands of shareholders, the growth, on the most optimistic assumptions, was only 20 per cent.

The peak to peak trend 1967 to 1973 (despite the reckless monetary expansion of the later years) was virtually static. Yet prices and costs over the decade increased by 77 per cent. Shareholders therefore received a static level of remuneration for the risk involved in "underwriting" (as shareholders effectively do) the risk of loss on cost levels which had increased by this percentage.

Earnings yield

The implications of this can be seen from reflecting that a projection of such a static trend even under non-inflationary conditions would argue that allowing anything for risk, equities would need to offer an earnings yield substantially higher than company debentures since they are obviously subject to higher risk and offer no prospect of growth when the correction for retentions, described above, is made.

This, however, is before allowing for inflation accounting. It is also not allowing for the profound recession into which we are now moving, nor the grave longer-term economic difficulties of the United Kingdom economy. Finally, as an indicator of the future, it is making no allowance for Price Control. While such control may have been overtaken by the immediate impact of recession, it nevertheless has as its ostensible principal objective the restraint of even the maximum company profit margin in the upswing to the levels obtaining in the five years prior to 1972. Some of the wider implications can only be explored after the Sandilands Report is published.

Letters to the Editor

Forecasting errors

From The Director, National Institute of Economic and Social Research.

Sir,—Economic forecasting, says Anthony Harris (August 27) is a growth industry which has now collapsed, and he offers some explanations why this has happened. There have often been spectacular forecasting errors, and some of them have been made quite recently: the current Economic Review acknowledges how badly wrong we have lately been about imports. But Mr. Harris seems to be suggesting something more general and more fundamental.

The National Institute has made a practice of publishing, from time to time, accounts of its own forecasting performance in various fields since it began operation in 1959. I have to hand the preliminary results of updating these various tests, using as nearly as possible the same methods as previously, that is, taking the February forecast for the calendar year in which it appears, making where necessary "policy change" adjustments before comparing with the out-turn.

The average absolute error has been calculated for the latest three years, 1972-74, and is compared with the corresponding average for the previous thirteen years. For a number of items the average absolute error for the last three years is less than in the past: consumers expenditure; public authorities current expenditure; gross fixed investment; exports of goods and services; imports of goods and services; and adjustment to factor cost. In all these cases the average error has been roughly halved. On the other hand, the average error in stockbuilding in 1972-74 is about twice that of the previous period. For total GDP the average error in 1972-74 is 1.2 per cent., which is exactly the same as the average over the whole period 1959-1971.

As regards the balance of payments, there can be no question that the scale of recent errors in current value has been very large, but trade has grown in volume and there has been inflation: total debits have grown from less than £6bn. in 1959 to over £20bn. in 1974. It seems reasonable to allow for this and express the error in the balance of payments forecast as a fraction of total debits. We compare the forecast change in the balance of payments from the previous year with the actual change and on this basis the average absolute error over the period 1959-1971 was 2.9 per cent., while in the most recent three years the average had risen to 3.3 per cent. This is certainly nothing to write home about, but, especially bearing in mind the unprecedented rise in prices, does it constitute collapse?

I am, of course, reporting the experience of only one team of forecasters, whereas Mr. Harris had a whole flock of them in his sights. Could he, perhaps, provide a little more of the evidence on which he based his statement that the industry has collapsed?

G. D. N. Worswick.
2, Dean Trench Street, Smith Square, S.W.1.

Luddite thinking

From Mr. O. Smedley.

Sir,—It is indeed regrettable that responsible people, including Ministers, apparently truly believe that full employment is more likely to be conserved if the House of Commons buys its crockery from a British firm than from Germany. The quantum of employment might, in fact, be increased rather than reduced if goods are bought more cheaply from overseas manufacturers than in this country.

The arithmetic is very simple. If certain goods cost £40,000 if bought in the U.K., but only £20,000 if bought from an overseas supplier, the U.K. purchaser is better off to the extent of £20,000. This £20,000 is then available to buy something else with, either from the U.K. or an overseas supplier. If from a U.K. supplier that would help to provide £20,000 worth of employment in the U.K., but the orginal £20,000 which was used to buy Marks, let us say, to pay for crockery from Germany would also have to be spent in the U.K. as there is nowhere else for sterling to be spent. The amount of employment created by the spending of £40,000, partly on crockery and partly on something else, is therefore in total more than if it had been spent on crockery alone.

In other words, it always pays, so far as employment in the U.K. as a whole is concerned, to buy the best quality goods at the cheapest price from wherever they can be obtained, at home or abroad. The contrary view is Luddite thinking at its worst.

If the potters of the U.K. can no longer compete with those in other countries, that is their fault and not the taxpayers'.

Oliver Smedley.
Duck Street, Wendons Ambo, Nr. Saffron Walden, Essex.

Points to remember

From the Managing Director, Gardner Watts.

Sir,—It becomes more obvious daily that most observers and commentators on the current political and economic scene, continue to make fundamentally incorrect assumptions and statements regarding Government policy.

Each new proposition or piece of legislation introduced, leaves intelligent people searching for a pattern instigated by logic and motivated by desire to see a return to industrial, commercial and social stability. Each piece of legislation examined can seemingly be justified in debate, if isolated from the whole, but still no satisfactory pattern emerges. I noted with interest your item "Ten points to remember" (August 27), relative to the current anti-inflationary campaign, in which you continue to look for a logical pattern by the very nature of your criticisms, and must suggest as a result, that the same false assumptions are being made.

One cannot deal with each piece of legislation and each proposal, in order to develop one's argument fully in a letter, but may I suggest that public expenditure, capital transfer tax, pensions, public ownership in industry, overmanning in industry, general taxation, medicine, education, the proposed wealth tax, the £6 limit, etc., etc., be considered as a design, a pattern, as I have previously stated. If you have now completed the analysis I submit no sensible pattern has emerged.

The same analysis, however, this time instigated by logic motivated by desire to see the advent of a Communist state, with total control over industry, commerce, and the people — presto, it all falls into place. In political terms it will rate historically as the most brilliant piece of political and social engineering ever, if totally successful, and have been accomplished seemingly with the consent of the people, backed by the law.

When you ask for reduction in public expenditure you are asking too much. The design demands increases in this direction, while the ability for private expenditure, and thus free choice, must be speedily reduced. Dependence upon the state must be ensured, and I submit that the subjects listed for analysis above fit the pattern exactly. I realise that anguished cries of "he's a crank," "this is England not Russia" and the like, often greet opinions similar to my own, but many people have obviously reached similar, I believe logically based, conclusions. I suggest, however, that they fear the consequences of stating them publicly. Certainly we see no effective opposition in Parliament, probably for the same reason.

If I am right, I have at least stated my opinions publicly while it still remains legal to so do, and quite honestly do not expect those who have the power to alter the course upon which we are set to publicly agree with my views, even if they do in private. Alternatively, if it is possible to discount or disprove my views, please hang whatever label you wish on me as it will give me the greatest of pleasure to be labelled an idiot in a free country.

P. D. Watts,
36, Regent Street, Cambridge.

Vandals at large

From Miss A. Newman.

Sir,—Respecting Mrs. Rosenberg's letter (August 27) about the Post Office and the postmen. Her suggestion, that letter boxes should be put on the gates of individual houses, would never work in these days of vandalism, letters containing documents and cheques, etc., would be destroyed. One has only to think of the damage done to telephone boxes for an example.

A. R. Newman.
"Bidston," 33, Ryecroft Road, Streatham.

Ergonomics in the office

From the Director-General, Business Equipment Trade Association.

Sir,—While Bob Crew's article "Are you sitting comfortably?" (August 18) served a useful purpose in drawing attention to the need for the ergonomic design of furniture, I would like to take issue on a number of points in so far as office furniture is concerned.

In the first place, the photograph which is described as showing a typist with "the wrong posture in the wrong design of chair," in fact shows bad posture in a chair in which no attempt has been made to utilise the adjustments which are built-in specifically to suit the ergonomic requirements of users of different stature. The photograph allegedly showing correct posture is equally misleading since only a doll could comfortably maintain such a stiff-necked position.

Mr. Crew gives the general impression that U.K. suppliers of office furniture do not have a good record on ergonomic design. In fact ergonomically designed typists' chairs have been available from U.K. manufacturers for over 50 years. Further, it was almost 20 years ago that the first British Standard dealing with the design of office furniture, based on anatomical principles, appeared, followed ten years ago by the current standard. The U.K. therefore has held a leading position in the development of ergonomic office furniture standards and when in 1968 it was proposed that international standardisation should be initiated, it was again the U.K. which took a leading role in the subsequent drafting and it was the design philosophy of the British Standards upon which much of this work was based. Indeed, the International Standard, to be finalised this year, reflects much of the original U.K. thinking.

In addition to this, a large-scale ergonomic study has already been initiated in the U.K. with the object of still further refining the international standard. In all of this activity, the U.K. industry has played a major role in providing expertise as well as financial backing.

Mr. Crew's suggestion that ergonomically designed products are inevitably more expensive to purchase is not correct. The vast majority of typists' chairs, which are sold at very considerably less than the amount suggested, are designed on ergonomic principles. True, executive seating is more expensive but this is not due to ergonomic considerations. Ergonomically designed executive seating, however, is available although few executives consider this as a major criterion when purchasing. This attitude is hardly the manufacturers' responsibility. Mr. Crew suggests that one of the main culprits is that the desk tops are too low with a consequent "inevitable stoop and crouch." In fact, the reverse is the case as ergonomic study has led to a reduction in the height of work-surfaces.

There are other points in the article which are misleading and which would require a much more lengthy reply. I appreciate the intent, however, of the article to promote better design for furniture in general and my main concern is to make it clear that, in so far as office furniture is concerned, this is one of the areas in which the U.K. has maintained a lead which it is continuing to develop.

R. D. Harington.
109, Kingsway, W.C.2.

Self-taxation by guesswork

From Mr. H. Leggatt.

Sir,—May I add to your correspondence in connection with Mr. Denys Sutton's important article (August 19) on the Government's proposals for including works of art in a wealth tax. This envisages vast numbers of inexpert citizens producing what the most competent experts agree is incapable of being produced with either accuracy or equity: an up-to-date annual valuation of works of art and antiques in their possession.

To require a man by law to do what is impossible deprives the law of moral sanction, and leads in practice to an obstinate, interminable and resentful resistance to its application.

Self-taxation by guesswork is not a duty which any citizen can, or indeed ought, to accept, since it obliges him to assume a false position.

In parentheses, is should be noted that before compiling the Green Paper, the Treasury did not seek the advice of the art trade on the fundamental subject of valuation. But such a lapse is all too common under socialism. A theory is excogitated in the clouds without reference to wordly experience; then the practical facts are somehow expected to adapt themselves to the requirements of theory. Only after much damage has been wilfully inflicted on our cultural heritage, will the Government realise that the facts simply cannot be equated with their elusive abstractions.

In order to avoid the reproach of philistinism the Green Paper on the wealth tax pays lip-service to the safeguarding of our national heritage. But instead of excluding works of art from the scope of the tax, as is done in several other countries which impose it, the Government is attempting to reconcile the irreconcilable. Works of art are to be taxed in order to gratify the malevolent jealousy of the extreme left wing; and to disarm inevitable accusations of cultural insensitivity the Green Paper simultaneously hints at a few tendentious but impracticable palliatives.

One of these takes the form of a vague general principle that works of art which are to some extent "on view" to the public are deserving of special treatment: but that those which remain in a private residence are not. In practice such a principle would be riddled with anomalies.

To make a start with but one of them, let me refer to two of my family's pictures. One Beechey's Nelson is now on loan to the National Portrait Gallery; the other, Sargent's portrait of my grandmother, hangs in my own home. It would appear from the Green Paper that unless I am prepared to lend out my grandmother permanently for the edification of the general public (which I am not), I shall be required to pay an annual rent for taking care of her; whereas as long as the Admiral remains on public view, annual wealth tax will be deferred but accumulated until the picture is sold. Such an arbitrary distinction takes no account of human sensitivity. In such circumstances the choice of evils is obvious: to help pay for the retention of my grandmother in my own house, we should, with the greatest regret, sell Nelson to the highest bidder, who in all the circumstances could hardly fail to be a foreigner. How many other treasured works would not similarly leave our shores?

In this regard may I point out that most provincial museums have neither the space nor the staff to accommodate a flood of works of art from those seeking to avoid tax by putting their objects on public view. And the many who tried and failed to secure a place would rightly have a grievance against those who succeeded. But of course works of art should be, and indeed are, willingly lent to public museums for far more elevated reasons than fiscal advantage. Do we really want to change all this?

Hugh Leggatt,
Leggatt Brothers,
30, St. James's Street, S.W.1.

Today's Events

GENERAL

TUC annual conference begins, Blackpool.

World Bank and International Monetary Fund annual meetings begin, Washington.

United Nations sixth special session on "new international economic order" begins, New York.

British Steel Corporation implements first stage of plans to reorganise scrap supply.

Scandinavia and North Sea conference, organised by Financial Times, opens in Oslo.

Turkish Cypriot leader Mr. Rauf Denktash and Greek Cypriot negotiator Mr. Glafcos Clerides begin week of meetings, Nicosia.

Restrictions on imports into Britain of new and main-crop potatoes suspended from to-day to safeguard supplies.

Fixed penalty for road traffic offences—parking, vehicle lighting and failure to display current tax disc—increased to £6.

Port of London Authority raises scheduled rates by 7.5 per cent. Port of Tyne Authority raises cargo-handling charges by 25 per cent at Tyne Dock and Albert Edward Dock, and stevedoring charges at Newcastle Quay by 20 per cent.

COMPANY RESULTS:
Cooper Industries (full year)
Douglas (Robert M.) (full year).

COMPANY MEETINGS:
See Week's Financial Diary on Page 32.

BALLET
London Festival Ballet dance Coppelia, New Victoria Theatre, London, 7.30 p.m.

SPORT
Cricket: Fourth Test (fourth day), England v. Australia, Oval. Golf: Match play championship (pre-qualifying), Lindrick. Tennis: British junior championships, Wimbledon. Hockey: Women's world tournament, Edinburgh.

COMPANY NEWS

U.S. expansion potential for Dowty

THE MAJOR enterprises of Dowty Group, the Cheltenham aircraft equipment and hydraulic engineering concern, have never been busier, especially its coal mining equipment companies where home and export orders are "escalating at a record rate," chairman Sir George Dowty says in his annual statement.

Every country is now urgently exploiting its own energy resources, he states.

Sir George points out that the group's growth has been due to "considerable" research and development investment and profits have continually been ploughed back into new buildings and modernising factories. But a reasonable return on investment cannot come about until industry is allowed to recover all its costs when fixing prices and is given tax relief on capital equipment replacement cost.

On the group's growing business in the U.S., the chairman says that all companies there are operating profitably with considerable expansion opportunities. Land has been bought near Dulles Airport, Virginia, where a factory will be built to take in all Washington DC operations—at present conducted in rented property on which the lease will shortly expire—with room for expansion.

Dowty's aircraft businesses continue to make good progress and at the year end orders on hand were a record. Diversification into overseas markets largely accounts for the continued growth of the division sales, 50 per cent. of which are exported.

The demand for coal mining roof supports and conveyors continues to increase, Sir George adds. The National Coal Board remains the principal customer but Dowty has received multi-million pound contracts from the U.S., Belgium, Poland and other countries. This expansion "will continue for there is a world wide demand for more coal."

Turnover during the year to March 31, 1975, increased by one-third to £95m., a substantial part of which was for exports which doubled at £30m. Certain long-term export contracts were completed at fixed prices which adversely affected results. The pressure on margins and the U.K. rate of inflation grossly in excess of international competitors resulted in trading profits rising by only 15 per cent. and this is reflected in the fall of margins from 11.9 per cent. to 10.3 per cent., says the chairman.

The rise in turnover resulted in further investment in stocks and debtors, partly relieved by tax deferment on stock increase, and this, together with essential capital expenditure for increasing facilities in those areas where there is real growth, brought a cash outflow in the year of nearly £4m. The resulting interest payments, in contrast to interest received in the previous year, also restricted the increase in profit before tax to 6 per cent. from £8.91m. to £9.40m., as already reported. Dividends are up from 4.71825p to 5.08p net.

Despite the investment in fixed and working capital the group's borrowing remains low. Short-term facilities should be sufficient for present needs, says Sir George.

A geographical analysis of external turnover shows: Europe £9.09m. (£8.06m.). North and South America £9.45m. (£7.40m.), Asia and Middle East £12.39m. (£2.31m.), Africa £779,000 (£814,000), Australasia £1.07m. (£650,000), Other £415,000 (£178,000), U.K. £60.75m. (£51.73m.).

During the year there was a cash outflow of £3.79m. (£1.14m.), according to a statement of source and application of funds.

The report shows that the chairman's remuneration in respect of 1974-75 increased by £15,000 to £35,250.

Meeting, Cheltenham, on October 1 at 11.15 a.m.

HIGHLIGHTS

The week-end postbag contained little apart from the usual trickle of annual reports. Of these, Hutchison contained the more interesting material and is discussed fully in to-day's Lex column. The coming week's list of scheduled company announcements is not long but does contain a high proportion of big names. **Turner and Newall and Blackwood Hodge** are due to report interims to-morrow, but the major concentration is in the following two days. Wednesday's list includes **Decca and Raybeck** (both prelims), with interims from **Albright and Wilson, BTR, and Sun Alliance.** On Thursday the pace gets hotted still with half-year statements from **BP and ICI**, supported by **Provincent Financial and Reardon Smith.** Friday sees interims from **Bowater and Crane Fruehauf.**

Crellon Electronics purchase

Crellon Electronics, a wholly-owned subsidiary of Crellon Holdings, has conditionally agreed to acquire not less than 97 per cent. of the Ordinary capital of GDS, electronic component distributors, and not less than 99 per cent. of debentures.

Crellon Holdings is issuing 673,000 Ordinary shares in exchange for its shareholding in GDS.

The acquisition will make Crellon Electronics one of the largest electronic component distributors in the U.K. GDS has also a 50 per cent. holding in a major distributor in Denmark.

Since entering this field by acquisition in 1972, Crellon has achieved a considerable increase in sales and in return on capital employed in this growth industry, and has, therefore, decided to invest further in an industry in "which we have proven success and for which the potential is most exciting," says the chief executive, Mr R. Leigh.

It is anticipated increasing the involvement in this field still further, as it is intended to set up a joint venture operation with Sonepar in electronic component distribution in France," he adds.

W. Jackson growth to continue

DESPITE THE economic situation and the general feeling of uncertainty in the country, the policy of William Jackson and Son is still one of expansion within the limits of the group's finances, says chairman Mr. P. B. Oughtred.

Since April 20 the group has already opened another store at Borrowash, near Derby, the largest store to date in the reorganisation, and two more are planned in the current year. Other sites are being investigated for the future to maintain progress and continuity on the retail side.

In the short-term the chairman considers that prospects both on the manufacturing and retail side are satisfactory, "but there can be no guarantee that this will continue."

As reported August 6 group pre-tax profits improved from £1.01m. to £1.28m. in the year ended April 26, 1975.

Turnover throughout the retail stores has shown a very material increase, which was in excess of the average rate of inflation throughout the period. Four new stores were opened during the year and a number of existing outlets have been extended and improved.

Wherever possible, the group is obtaining off-licences for the retail sale of wines, spirits and beer in the stores. These departments are installed in 28 locations, providing prospects for steady growth in the years ahead, as turnover in these commodities has already reached very gratifying proportions.

Referring to Government legislation on food prices the chairman says "it is fierce competition in the food trade which keeps prices down, whereas the expense of complying with legislation must tend to force them up."

Confidence at Melody Mills

MR. W. T. MEIGH, chairman of Melody Mills, manufacturers and and distributors of wallcoverings, tells members that although he expects to see a fall in volume of the U.K. market due to the anticipated reduction in spending power, there are good reasons to believe that the group will continue to advance its sales and capture a larger market share.

The group is better equipped than ever before to take advantage of whatever business is available and recent improvements in production efficiency will help MM to remain competitive in price with other wallcovering makers.

In overseas markets steady progress is expected in a number of new areas where products have been well received and, to some extent this extra export business will help to protect the group from the general weakness of sterling.

New collections recently launched have been greeted with considerable enthusiasm by customers and provided the national economy does not deteriorate too seriously "We can still be optimistic about the future," says the chairman.

In the year ended March 31, 1975, turnover increased by 63 per cent. to £4.29m. while profit, before tax, rose by 21 per cent. to £379,000. While the rise in turnover partly reflects higher prices due to big increases in raw material costs, wages and overheads, a large amount is due to increased volume of sales, including the group's new vinyl wallcoverings for the first time.

The year has been very difficult inasmuch as many U.K. customers had to reduce stocks drastically to preserve cash flow, and in certain European markets there was a substantial downturn in sales. The vinyl market has for the first time failed to show any growth and there is a fair degree of overcapacity in the industry.

The Paris depot has been wound up as the group's trading style in France has undergone considerable changes and MM is now shipping directly from the U.K. This market has remained buoyant and prospects are good, reports Mr. Meigh.

Meeting, Leicester, September 24 at noon.

SLATER WALKER IN ABERDEEN

Slater Walker opens a regional office in Aberdeen to-day. A full merchant banking service will be available.

Freddie Mansfield

Mr. Rowland Wright, chairman of Imperial Chemical Industries on the balcony of the group's Millbank headquarters. First-half 1975 results are due out on Thursday.

Illingworth Morris growth prospects

DESPITE CURRENT indifferent trading conditions and the world economic climate, this year's results of Illingworth Morris and Co. should not be materially different from those of the past year, says the chairman, Mr. M. Ostrer.

But should reflation of the economies in either Western Germnay, Japan, or the U.S. take place quickly, and assuming that inflation is brought under control, policies adopted "could well result in profits being significantly higher," he declares.

The recently announced £0.6m capital expenditure programme in connection with the group's fine worsted manufacture, represents the measure of the director's confidence for this section of the industry, he adds.

As known, group pre-tax profit contracted from £4.91m. to £1.69m. in the year to March 31, 1975. The dividend is 1.335p (1.336p) net.

Referring to the importation of low-priced suits and cloth, Mr. Ostrer says the company is unable to escape some of the damaging consequences.

The group, however, depends on exports for approximately 30 per cent. of its activity and the directors understand the Government's difficulties whereby, in trying to help the industry, they have to be careful not to disturb reciprocal trade agreements.

It is hoped that the Government will find a solution which will be of immediate benefit to the industry without damaging the company's prospects in export markets.

Measures have been adopted to take full advantage of the market potential in the EEC.

Following the acquisition of George Mallinson and Sons and Troydale Industries it has been possible to adopt new marketing policies.

At March 31 group overdrafts were down from £25.99m. to £19.42m. and that trend is continuing. Subject only to a return to even higher borrowing rates, interest charges in the current year will be reduced considerably. During 1974-75 there was a net increase of £6.38m. in net liquid funds.

Meeting, Shipley, September 23, noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends considered are interims or finals and the sub-division shown below is based mainly on last year's timetable.

TO-DAY

Interims:—Edinburgh Investment Trust, Electrical and Industrial Securities, H. and J. Quick.

Finals:—Cooper Industries, Robert M. Douglas (Contractors), Fox's Biscuits, Victor Products (Wallsend).

FUTURE DATES

Interims:—

Audiotronic	Sept. 9
Boydycote International	Sept. 17
Brooks Group	Sept. 3
Friedland Doggart	Sept. 5
Gibbons Dudley	Sept. 4
Harlie Machinery International	Sept. 3
Marshall Morgan and Scott	Sept. 10
Phoenix Assurance	Sept. 10
Robinson (Thomas)	Sept. 4
Spons	Sept. 4
Tavener Rutledge	Sept. 10

Finals:—

Amber Day	Sept. 10
Marler Estates	Sept. 3
Robb Caledon Shipbuilders	Sept. 4
Scottish Metropolitan Property	Sept. 30

FT Share Service

The following securities have been added to the Share Information Services appearing in the Financial Times.

Akroyd and Smithers (Section: Trusts-Finance Land)

Northern Electric (Section: Overseas-Canada)

Tyneside Investment revenue up

EXCLUDING consolidation of associate earnings, gross revenue of The Tyneside Investment Trust expanded from £190,988 to £207,288 during the six months to July 31, 1975. For the full year 1974-75 revenue totalled £367,033, a record.

A total of £95,741 (£91,304) is available for dividends at the half-way stage. As anounced in June, the interim payment is being held at 0.7p net, absorbing £43,208. Last year's total was 2.5p.

After deducting prior charges at par and assuming full conversion of Loan stock, net asset per share at half-way is 120.4p (101p at January 31, 1975).

Valuation of investments and net current assets is £8.90m at July 31, 1975, and £7.43m. at January 31, 1975. A foreign currency loan of $0.5m. was drawn in April.

Investment cutback at Tomkins

DESPITE THE present adverse economic conditions, F. H. Tomkins is continuing with its programme of capital expenditure as previously planned but new authorisations will be on a reduced scale, states the chairman, Mr. G. G. Garmen, in his annual statement.

Any immediate expenditure must be with a view to obtaining cost savings, he says.

The estimated amount of contracts for capital expenditure at year-end was £96,000 (£323,000) and the amount authorised but not contracted for totalled £22,000 (£13,000).

The company makes buckles, bright drawn steel and nuts and bolts.

On prospects, the chairman notes that the industry is suffering from the deepest recession since the early 1930s and, while he is confident there will be a recovery, it is almost impossible to put a time factor on it. "We have experienced trade cycles before but never a deep recession coupled with roaring inflation."

A vital factor for the future prosperity of this country is that British Steel should be competitive in world markets, and for this to be brought about it is essential that BSC should be allowed to operate on a "sound commercial basis and not just be a pawn for politics," Mr. Garman says.

"While we are conscious that we have a very difficult year ahead, we are taking all possible steps to overcome the problems and to ensure that we have a sound base from which we can continue our expansion when the recession is over," he adds.

The distributor side of the business is where the directors are looking for main growth.

As reported on July 18, pre-tax profit for the year ended April 27, 1975, increased from £0.95m. to a record £1.12m. Dividends are up from 0.6727p to 0.7169p net.

Meeting, Great Barr, September 23 at noon.

Southend Stadium

First-half 1975 operating receipts of Southend Stadium increased from £168,315 to £206,710 from 63 (68) meetings, and pre-tax profit advanced from £42,284 to £30,506.

And the chairman, Mr. P. R. Cammidge, reports that the current half-year to date is progressing well though inflationary costs are a constant problem, the directors are reasonably optimistic about full year's results. Profit for the year 1974 was £102,088.

Midland Bank statistics

Statistics compiled by the Midland Bank show that the amount of "new money" raised in the U.K. by the issue of marketable securities in August was £120.1m. In the first eight months of the year £1,394.2m. has been raised compared with £327.3m. in the same period of 1974.

Following the decline in numbers of rights issues, the August total is the lowest monthly figure recorded since January. Eighteen rights issues were quoted last month, raising £70.8m., just over half the total. The largest of these were for Land Securities Investment Trust (£21.1m.) and Scottish and Newcastle Breweries (£21.8m.). The remainder of the new money was accounted for by a stock issue of £20.3m. by the City of Liverpool, £14.5m. in local authority bond issues, £3m. for a tender issue by Bristol Waterworks and £2.2m. from three placings.

Big drop in parking tickets forecast

A BIG CUT in the number of parking tickets is forecast this week, when the cost of illegal parking trebles. The fixed penalty for a range of traffic offences — from parking to failing to display a tax disc — goes up from £2 to £6 to-day.

Instead of more hot-tempered motorists, traffic wardens expect there will be fewer tickets.

"We are hoping that the £6 fine is going to make people a little more careful about their parking. We will measure success by any reduction in tickets issued, a London warden said.

The fixed penalty ticket has been £2 since 1960 when traffic wardens first appeared.

The Home Office has also closed the loophole through which millions of motorists have avoided paying parking tickets.

A motorist has been able to evade payment by claiming he was not the driver at the time. Now, owner liability has been introduced. The only way the owner can avoid responsibility is by proving that be was not driving.

If fixed penalties are not paid owners can be fined up to £100. The Home Office also expects a big drop in the number of unpaid tickets.

Herbert Morris to send crane kits to Iran

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

HERBERT MORRIS cranes are to be exported in kit form for completion by a manufacturing company in Tehran.

The first 30 crane kits are being shipped to Iran and an annual turnover of 100 kits worth about £500,000 is hoped for.

This is the latest of a series of similar deals. Mr. George Read, Morris's sales director, said: "We feel this is the only way it will be possible to get substantial orders of standard cranes."

The crane kits enable a manufacturer to stock components from which cranes within the most common capacity range can be completed to any specific span requirement.

This enables the manufacturer to offer a Morris crane on a short delivery, without shipping and import delays and the higher shipping costs and import duty imposed on a completed crane.

The manufacturer handlin[g] the Morris cranes in Tehra[n] will be Akam Building Indu[s]tries, probably the largest stru[c]tural steel business in Ira[n]. Akam is part of Beshar Indu[s]tries, the biggest non-Gover[n]ment-owned industrial grou[p] there.

Morris is also to set up a[n] office in Tehran to handle th[e] sales of the manufacturer's ou[t]put of completed univers[al] cranes and sales of heavy a[nd] special cranes and chain hoist[s]. Sales of most other Morris pr[o]ducts—including lifts a[nd] conveyors—will follow.

A Morris crane servi[ce] organisation will also be set u[p] in Iran.

Morris has announced a £620,000 order for three cran[es] for the Baltic shipyard [at] Gdynia, won "against inter[national] international competition."

The order was placed by C[en]tromor, the central purchasi[ng] agency for Polish shipyar[ds]. Delivery is due in 1976.

Banks 'must accept fully exchange control duties'

BY MICHAEL BLANDEN

THE "ABYSMALLY LOW" standard of knowledge of exchange control matters in the big banks is criticised by Mr. Anthony Parker in the latest addition to his guide on exchange controls, published by Jordans.

He says that the recent additions to exchange control regulations are evidence of "the growing concern of the Bank of England at the poor standard of responsibility and performance shown by some of its authorised agents."

The supervision of the rules had been extensively delegated to banks and authorised depositaries.

"It is time that the banks a[nd] in particular, the large clea[ring] banks, stopped regarding [ex]change control as a tireso[me] costly imposition and [fi]nally accepted their responsibil[ity] both to the Bank of England [and] to their customers." It see[ms] incredible that the subject [is] not yet included as part of [the] Institute of Bankers' syllabus.

Mr. Parker says that the [ab]sence of measures in this [field] needed to help the economic [situ]ation "has brought nearer [the] possibility that a siege econ[omy] and, therefore, a siege excha[nge] control, will eventually bec[ome] necessary."

STANDARD & CHARTERED IN EUROPE

Standard and Chartered Banking Group announce the opening in Antwerp of a branch of its wholly-owned subsidiary, Standard Chartered Bank N.V., as a further step in its expansion in Europe.

Standard and Chartered already has offices in other major Continental cities—in Amsterdam, Copenhagen, Frankfurt, Hamburg, Madrid, Milan, Paris and Rotterdam.

PEARL ASSURANCE

Following the acquisition [by] Pearl Assurance Company of [the] capital not previously owne[d], [pre]viously known as Pearl Mon[tague] Trust Managers has now [been] changed to Pearl Trust Mana[gers].

Funds under management, [pre]viously known as Pearl Mon[tague] Unit Trust, P and M Growth F[und] and P and M Income Fund [will] in future be known as:— [Pearl] Unit Trust, Pearl Growth F[und], Pearl Income Fund.

All correspondence regar[ding] the above should be addre[ssed] to:—252, High Holborn, W.C.[1].

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Pending dividends

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year		Date	Announcement last year
*Albright and Wilson	Sept. 3	Int. 35%	Guinness Peat	Sept. 12	Final [illegible]
Amalgamated Investment	Oct. 8	Final 4.1%	*Harmony Gold	Sept. 11	Int. 70%
Anglo Amer. OFS Group	Sept.	Dividends	Hestair	Sept. 25	Int. 5.9%
Anglo-Thai Corpn.	Sept. 2	Final 5.21%	Higgs and Hill	Oct. 1	Int. 8.8%
APV	Sept. 26	Int. 9.1%	Howden (Alexander)	Sept. 11	Int. 14.9%
*Armstrong Equipment	Sept. 30	Final 15.3%	*Imperial Metal	Sept. 2	Int. 6.9%
*Assoc. Fisheries	Sept. 18	Int. 9.5%	International Combustion	Sept. 17	Int. 10.4%
*Babcock and Wilcox	Sept. 19	Int. 5.4%	*ICI	Sept. 4	Int. 9%
			*Kleinwort Benson	Sept. 25	Int. 8%
			*Laing (John)	Sept. 23	Int. 6%
			Laird Group	Sept. 16	Int. 7.3%
[illegible]			[illegible]		
First National Finance	Sept. 30	Int. 15.8%	Union Corpn. Group	Sept.	Dividends
Fisons	Sept. 30	Int. 6%	United Biscuits	Sept. 16	Int. 7.087%
Foseco Minsep	Sept. 25	Int. 5.9%	*Vickers	Sept. 18	Int. 4.45%
Freemans (London)	Oct. 1	Int. 18.7%	Wadham Stringer	Sept. 23	Int. 9%
*Guardian Royal Exchange	Sept. 10	Int. 19.5%	Wm. Hudson	Aug. 28	Final 24%
*GKN	Sept. 18	Int. 5.6%			
GRA Prop. Trust	Sept. 24	Int. 5.6%			
Grattan Warehouses	Oct. 3	Int. 5.3%			

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Local Authority Investments

LOCAL AUTHORITY loan rates showed very little movement last week, with changes mostly confined to the mortgage periods. Deposits with local authorities at seven days' notice were unchanged at 10-10¼ per cent., as was the three-month rate at 10¼ per cent. Quotations in the shorter-term mortgage area were generally reduced however, in common with the trend in other market sectors, but the two-year mortgage was slightly firmer at 12¼-12⅜ per cent., against 12⅛-12¼ per cent. The four-year period eased to 13⅛-13⅜ per cent., from 13⅜-14¼ per cent., and the five-year to 13⅜-14 per cent., from 14-14¼ per cent.

The Financial Times Government Securities index remained steady and finished at 61.28, compared with 60.94 on the previous Friday.

One-year local authority bonds were placed during the week at par, with an unchanged coupon of 11¼ per cent., reflecting the generally steady short-term interest rates over the last week.

2 days' notice (deposit receipt)	10—10¼
7 days' notice (deposit receipt)	10—10¼
7 days' notice after one month (deposit receipt)	10¼—10⅜
7 days' notice after three months (deposit receipt)	10¼
7 days' notice after six months (deposit receipt)	10⅜—10⅝
Mortgage at one month's mutual notice after 11 months	11⅛—11¼
Mortgage at one month's lender notice after 11 months nominal term 2-5 years	n.a.
2 years' mortgage	12¼—12⅜†
3 years' mortgage	12⅝—13⅛†
4 years' mortgage	13⅛—13⅜†
5 years' mortgage	13⅜—14†
6-10 years' mortgage	n.a.
11-30 years' mortgage	n.a.

* Rates are for sums not less than £20,000 and are subject to local variations and fluctuations. † Nominal. ‡ Shorter periods may attract higher rates than longer. n.a. Not available.

RECENT ISSUES

EQUITIES

Issue Price	Amount Paid Up	Latest Renunc. Date	1975 High	1975 Low	Stock	Closing Price	+ or —	Div. or Amount	Times covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1975 High	1975 Low	Stock	Closing Price	+ or —
[illegible]							

"RIGHTS" OFFERS

Issue Price	Amount Paid Up	Latest Renunc. Date	1975 High	1975 Low	Stock	Closing Price	+ or —
[illegible]							

INTERNATION COMPANY NEWS

VEBA profits fall in first half

DUESSELDORF, August 31.

VEBA AG said that group pre-tax profit fell to DM340m. (DM402m.) in the first half of this year, despite funds taken from reserves to cover price rises.

Chairman Rudolf Von Bennigsen-Foerder told the annual meeting that VEBA made a DM300m. loss on its mineral oil business in the first half.

In a report to shareholders VEBA said that group first half net profit dropped sharply to DM47m. (DM132m.) after deducting profit taxes of DM242m. (DM225m.) and transfers to non-consolidated companies of DM51m. (DM45m.).

Herr Von Bennigsen-Foerder said that profits from VEBA's chemicals division and from glass production were lower in the first half. However, electricity production profits were very satisfactory and earnings on trading and transport were reasonable.

The VEBA group is 43 per cent. owned by the Government.

Herr Von Bennigsen-Foerder declined to make a profit forecast for the whole of 1975. Mineral oil losses would be considerable but these would be partly offset by profits elsewhere, he said.

VEBA first half group sales to third parties fell to DM11.75bn. (DM11.87bn.) with the 1974 comparison adjusted to include Gelsenberg, taken over later in 1974.

Sales of VEBA's own products dropped to DM6.57bn. (DM6.92bn.) with the remainder due to general trading and transport activities. Electricity sector turnover rose by 16 per cent. while mineral oil sales fell by eight per cent. and chemicals sales were 30.2 per cent. lower in the first half, he added.

VEBA petroleum sales in the first half fell to 318,000 tonnes (494,000) and crude oil throughput capacity at its refineries was only 59 per cent. taken up on average over the period, Herr Von Bennigsen-Foerder said.

Short time has been necessary in the crude oil, chemicals and glass sectors because of poor use of capacity.

First half investments were DM902m. (DM986m.) with DM724m. (DM685m.) spent in the electricity sector, while spending on mineral oil and chemicals fell sharply to DM94m. (DM233m.).

For the whole of 1975 group investments of around DM2bn., mainly to expand power station capacity, will be around 60 per cent., self-financed, he added.

Reuter

TPC clears Boral bid

BY JAMES FORTH

SYDNEY, August 31.

THE Trade Practices Commission to-day ruled that a take-over of Cyclone Company of Australia, by the diversified group Boral, would not significantly lessen competition—leaving the way clear for Boral to press home its attack on the share market. Boral stopped buying Cyclone shares one week ago at the request of the TPC while it studied the implications of a successful acquisition. Before the TPC stepped in, Boral had picked up about 1m. Cyclone shares on the market. Boral stopped buying Cyclone shares one week ago at the request of the TPC while it studied the implications of a successful acquisition. Before the TPC stepped in, Boral had picked up about 1m. Cyclone shares on the market, lifting its holding to just over 14 per cent. of the capital.

The TPC has already blocked a $A19m. takeover offer by Arc Industries, which has now officially withdrawn from the battle. Boral started the bidding with a $A16m. offer and has since lifted its price to $A17m. Cyclone directors have recommended rejection.

Boral now seems certain to re-enter the market. A spokesman for the company would not commit Boral to-night but said: "I would imagine there is no reason why we shouldn't reassess our situation and buy shares again."

Boral picked up most of its shares around its latest offer price of $A2.10 a share. In the week it has been out of the market the price has fallen to $A1.90.

Among the sellers was Cyclone director Mr. G. D. Malouf, who has resigned from the Board. Cyclone directors wasted no time plugging the gap, perhaps fearing that Boral would ask for Board representation as a major shareholder. They appointed the company secretary, Mr. F. H. Walker, as a director.

Elsevier interim confidence

By Michael Van Os

AMSTERDAM, August 31.

ELSEVIER, the large Dutch publishing company which has substantial interests abroad, said its first-half sales had risen 26 per cent. to Fls.195.6m. from the first half last year. Excluding acquisitions, sales had gone up 18 per cent. over the period.

The company said that the net profit had increased by 8 per cent. to Fls.8.7m.—"satisfactory growth" under the circumstances. Setbacks in the past six months included the new acquisitions' small contribution, or no contribution yet, to profit, a relatively large rise in corporation tax, the decline in revenue for personnel ads, and the sharp rise again in staff costs.

Elsevier's profit per share has gone up to Fls.17.81 in the first half from Fls.17 in the same period last year, while cash flow increased to Fls.25.03 (Fls.22.28). In the comparative figures, the increase in the number of shares following the stock dividend and the conversion of the 7¾ per cent. bond loan has been taken into account.

The company's management Board is still unable to make any precise forecasts for the rest of the year in view of the important fourth quarter to come, but, barring unforeseen circumstances, net profits were expected to reach "at least the same level of the year before." Last year's Elsevier's net profit totalled Fls.16.7m., which was up 10 per cent. on the previous year.

Ten Cate adds up its losses

By Michael Van Os

AMSTERDAM, August 31.

THE LARGE Dutch textile company, Nijverdal-Ten Cate, which had disclosed earlier it had moved into the red position, said over the week-end that it had suffered a loss of Fls.9.4m. in the first half of this year.

The company statement said that the comparable profit before tax had amounted to Fls.3.5m. in the first half of 1974. It added that Ten Cate's sales had totalled Fls.201m. in the first six months of this year, which was down 19 per cent. on last year.

The short statement said that in view of declining demand, short-time working was in force at its spinning mills and weaving mills. It was expected that after the current period of short-time working has ended, some extension may be necessary for some plants.

Nijverdal-Ten Cate said that a loss was also expected in the second half of this year, although a "light" recovery of demand was anticipated.

World Economic Indicators

UNEMPLOYMENT

	August '75	July '75	June '75	August '74
U.K. '000 s.a.	967	938	864	597
%	4.2	4.1	3.8	2.6
	July '75	June '75	May '75	July '74
W. Germany '000	1,035.2	1,002.1	1,017.8	490.9
%	4.5	4.4	4.4	2.2
Holland '000	191	177	184	123
%	4.7	4.5	4.7	3.0
U.S. '000 s.a.	7,830	8,569	8,538	4,880
%	[illegible]	8.6	9.2	5.3
	June '75	May '75	April '75	June '74
Japan '000	920	910	980	620
%	1.7	1.7	1.9	1.1
	April '75	Jan. '75	Oct. '74	April '74
Italy '000	667	603	605	484

Money & Exchanges

Short-term fixed period interest were again reduced in general last week. The one-month sterling certificate yield eased to 10½-10 1/16 per cent., from 10 1/16-10⅛ per cent. previously, the two-month fell to 10⅜-10½ per cent. from 10½-10⅝ per cent., and the three-month to 10½-10⅝ per cent. from 10⅝-10¾ per cent. Longer-term periods also eased and the one-year rate fell to 11⅛-10⅞ per cent., from 11⅜-11¼ per cent.

The supply of day-to-day credit was generally better in the latter part of the week, but on Tuesday a large shortage was relieved by an exceptionally large amount of help from the authorities by purchases of Treasury bills and corporation bills. Moderate assistance was given on Wednesday by buying Treasury bills, but on Thursday and Friday there was no official intervention in the discount market.

At the weekly Treasury bill tender applications were at a further record level of £1,295.41m. The average rate of discount fell by 0.0520 per cent. to 10.3805 per cent.

Sterling remained fairly firm over the course of the week and ended at $2.1105-2.1115, a gain of 45 points since the previous Friday. The result of the miners' ballot on Thursday had little affect on the pound. Forward sterling improved, with the 12-month rate narrowing to 6.20-6.10 cent premium, from 7.75-7.65 cent premium. The trade-weighted average depreciation of sterling against 10 major currencies since the Washington Currency Agreement (as calculated by the Bank of England) had narrowed to 27.3 per cent. by Friday evening, its best level of the week, and compared with 27.8 per cent. previously.

The U.S. dollar was also steady, helped by the differential between U.S. interest rates and those in Europe. Its trade-weighted average depreciation against 14 units since the Washington Agreement, as calculated by Morgan Guaranty of New York, ended at 2.51 per cent., against the previous 2.59 per cent.

Gold remained almost unchanged for most of the week but lost $2¼ on Friday, when a lack of demand for the metal pushed the price down to $159-160. The krugerrand for domestic delivery finished at the same level as in the international market at $164-166 (£77¾-78¾), and on Wednesday the domestic price closed slightly below that in international dealings. The coin's premium over the gold price has fallen to 3.45 per cent.

EXCHANGE CROSS-RATES

Aug. 29	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
Frankf't.	—	2.5815-30	58.70-77	6.70-72	5.445-55	97.67-73	96.10-24
N. York	38.65-70	—	22.74-76	2.6575-100	2.1105-2.1115	37.22-25	37.25-25
Paris	[illegible]						
Brussels	[illegible]						
London	[illegible]						
Amsterdam	[illegible]						
Zurich	[illegible]						

U.S. $ in Montreal. U.S. $1= [illegible] Canadian cents. Canadian $ in New York $C1=[illegible] U.S. cents. U.S. $ in Milan [illegible]. Sterling in Milan [illegible].

EURO-CURRENCY INTEREST RATES*

Aug. 29 1975	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss franc
Short-term	[illegible]					
7 days notice	[illegible]					
Month	[illegible]					
Three months	[illegible]					
Six months	[illegible]					
One year	[illegible]					

Euro-French deposit rate short-term [illegible]; seven days' notice [illegible]; one-month [illegible]; three months [illegible]; six months [illegible]. Longer-term Eurodollar deposits: two years [illegible]; three years [illegible]; four years [illegible]; five years [illegible]. The following nominal rates were quoted for London dollar certificates of deposit: one month [illegible]; three months [illegible]; six months [illegible]; one year [illegible].

* Rates are nominal closing rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars and two days' notice for guilders and Swiss francs.

Aug. 29 1975	Sterling Certificates of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House deposits	Company deposits	Discount market deposits	Treasury bills ♦	Bank bills ♦	Fine trade bills ♦
Overnight	[illegible]									
2 days notice	[illegible]									
7 days notice	[illegible]									
One month	[illegible]									
Two months	[illegible]									
Three months	[illegible]									
Six months	[illegible]									
Nine months	[illegible]									
One year	[illegible]									
Two years	[illegible]									

* Local authority and finance houses seven days' notice, others seven days' fixed. [illegible]

Finance Houses Base Rates (published by the Finance Houses Association): 10½ per cent. from September 1. Clearing Bank Deposit Rates for small sums at seven days' notice 6½ per cent. Clearing Bank Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 10.3805 per cent.

GOLD MARKET

	Aug. 29 1975	Aug. 28 1975
Gold Bullion (a fine ounce)		
Close	$159-160	$161½-162¼
Opening	$161½-162¼	$161½-162¼
Morning fixing	$161.50 (£75.468)	$161.70 (£76.639)
Afternoon fixing	$159.80 (£75.699)	$161.90 (£76.679)
Gold coins (domestically)		
Krugerrand	$164-166 (£77¾-78¾)	$166¾-168¼ (£79-79¾)
New sov'reigns	[illegible]	[illegible]
Old sov'reigns	[illegible]	[illegible]
Gold coins (int'rn'tion'ly)		
Krugerrand	$164-166	$166-168
New sov'reigns	[illegible]	[illegible]
Old sov'reigns	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]
$10 Eagles	[illegible]	[illegible]
$5 Eagles	[illegible]	[illegible]

FORWARD RATES

	One month	Three months
New York	[illegible]	[illegible]
Montreal	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
Cop'nh'gn	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]
Madrid	[illegible]	[illegible]
Milan	[illegible]	[illegible]
Oslo	[illegible]	[illegible]
Paris	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]
Vienna	[illegible]	[illegible]
Zurich	[illegible]	[illegible]

Six-month forward dollar [illegible] c. pm. 12-month [illegible] c. pm.

FOREIGN EXCHANGES

Aug. 29 1975	Bank Rates %	Day's Spread	Close
New York	6	2.1080-2.1125	2.1105-2.1115
Montreal	7¼	2.1775-2.1826	2.1780-2.1800
Amsterdam	5½	[illegible]	[illegible]
Brussels	6	80.80-81.30	81.10-81.5[illegible]
Copenh'gen	7½	12.58-.65	12.61½-12.62½
Frankfurt	4	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

† Basic discount. Rates given are for convertible francs. Financial franc [illegible].

OTHER MARKETS

Argentina	[illegible]	Argentina	[illegible]
Australia	[illegible]	Austria	[illegible]
Brazil	[illegible]	Belgium	[illegible]
Finland	[illegible]	Brazil	[illegible]
Greece	[illegible]	Canada	[illegible]
Hong Kong	[illegible]	Denmark	[illegible]
Iran	[illegible]	France	[illegible]
Kuwait	[illegible]	Germany	[illegible]
Luxemb'g	[illegible]	Italy	[illegible]
Malaysia	[illegible]	Japan	[illegible]
N. Zealand	[illegible]	Netherl'nds	[illegible]
Saudi Arab.	[illegible]	Norway	[illegible]
Singapore	[illegible]	Portugal	[illegible]
S. Africa	[illegible]	Spain	[illegible]
U.S.	[illegible]	Switzerland	[illegible]
Canada	[illegible]	United States	[illegible]
		Yugoslavia	[illegible]

† Based on rates quoted by specialist dealers. Other rates are quoted elsewhere. ♦ Rate given is the commercial rate; financial rate not available.

WEEKLY AVERAGES OF U.K. INDICES

Week to—	Aug. 29	Aug. 22	Aug. 15	Aug. 8
Financial Times				
Govt. Secs.	[illegible]			
Fixed Interest	[illegible]			
Industrial Ord.	[illegible]			
Gold Mines	[illegible]			
Dealings mkd.	[illegible]			
F.T. Actuaries				
Ind. Group	[illegible]			
500-Share	[illegible]			
All-Share	[illegible]			
20-year Govt.	[illegible]			
Red. Debs.	[illegible]			

Gold and the September dividend season

MINING NOTEBOOK

BY LODESTAR

GOLD CLINGS precariously to its $160 an ounce perch. Short-term bulls are notably absent. The consensus of opinion, according to a Friday round-up, was that the price is more likely to test a new floor at $150 than to knock on the ceiling of $170 against which it has only bumped once since mid-April.

One thing is certain. There are testing times ahead with the spotlight once again being turned on the role of gold in the world's monetary system at the International Monetary Fund meeting. So the bullion price is likely to continue its nervous course which means that the Gold share market will also tend to move indeterminately.

Meanwhile, another half-yearly dividend season for the South African mines is now almost upon us. It involves the Orange Free State and Evander area producers and the payments will be finals for all the companies except Harmony which will declare its interim for the year to next June.

In view of the static gold price and rising costs the great days of market boosting dividends are over, anyway for the time being. But at least the current quarter's profits will have some offset against the cost pressures owing to the rand devaluation at the end of June which will have lifted the gold price received by the mines in terms of South Africa's currency. A continued easing of the black labour stringency should be another favourable factor in the costs battle. Contrarily, the further wage increases for both white and black miners have to be taken into account.

St. Helena

All in all, the chances of any dividend increases compared with a year ago are slim. St. Helena is the most popular candidate with estimates ranging up to 135 cents against 120 cents last September. I would not like to go for more than 130 cents which would make a 1974-75 total of 275 cents (182.5p), 45 cents more than for the preceding year. The shares at £30¾ are thus likely to remain one of the front runners in the Gold share stakes even when the going tends to be slow as it seems likely to do for the time being. Another advantage is that this mine ranks high among the low cost producers. Working cost per ounce in the June quarter was just over $48 in U.S. currency.

Another dividend increase hopeful is Winkelhaak, also in the Union Corporation group. In this case estimates range up to 57 cents. My own view is that a maintained payment of 50 cents is more likely which would still make a usefully higher 113 cents (75p) against 94 cents for 1973-1974. In this case the June quarter cost per ounce was just on $60.

For Free State Geduld there is no doubt about the expected reduction in the final. Even so, the most pessimistic forecast of 165 cents would make a total of 335 cents (222p), 25 cents more than for 1973-74. Here the June quarter cost per ounce was a low $44.

As always, there is a wide range of predictions for Western Holdings with the most optimistic forecast of 255 cents coming from South Africa. I would not like to go for much more than 240 cents which would make a 1974-75 total of 465 cents (38.5p), an increase of 20 cents. June quarter cost per ounce was $49.

President Brand

If President Brand manages to pay 125 cents it would slightly surpass its 243 cents (162.5p) total for 1973-74 but, according to my calculations, this is a maximum expectation in view of this year's heavy capital expenditure commitments. One estimate is as low as 110 cents. Here is a classic case where the final declaration will largely depend on the management's confidence in the future. And the management in this particular instance is the powerful Anglo American Corporation group.

President Steyn is also a heavy capital spender and thus has to pursue a currently cautious dividend policy. So 60 cents is the general expectation which would make 120 cents (79.6p) for the year, down by 15 cents. June quarter costs per ounce for the two Presidents were $80 for Steyn and $58 for Brand.

Welkom is tottering on the brink of passing over its distribution peak and only the optimists reckon that last year's 55 cents (36.5p) will be sustained through a final of 25 cents. There is a general tendency to go for a lower payment from a mine which is in a declining period of its life. June quarter costs per ounce were the highest of those mentioned so far at $120.

In the Union Corporation group's Evander field, of most interest, apart from Winkelhaak already discussed, is the possible payment by the youngest producer Kinross. Caution is the watchword here. It is generally anticipated that following the unexpectedly high March interim of 30 cents the final will be only 20 cents for a total of 50 cents (33p) which would be the same as that for 1973-74. June quarter cost per ounce was $66.

Leslie has already announced a further 10 cents capital repayment. Whether or not it will be accompanied by any dividend is considered to be a moot point. Something between 22 and 25 cents is the general estimate for Bracken. The higher prediction would make 55 cents (36.5p) against 51 cents for 1973-74. Such an increase would be unlikely to stimulate any particular enthusiasm for the shares of this relatively short-life mine.

For Harmony in the Orange Free State an unchanged interim of 35 cents is anticipated although there is a possibility of more if the Barlow Rand group company is generous with the income from the "special" uranium sale in the June quarter. If so it could indicate management confidence in the repetition of such deals.

Jo'burg choices

Finally, we come to the greatest enigma of all, Loraine. It is spending a huge amount of money on a major expansion programme based on faith in the higher gold price. For the year to last September 12 cents (8p) was paid. A nominal gesture of 6 cents to "maintain shareholders' faith in the expansion programme," to quote one London broker, is the most that anyone is going for. Notably, Loraine's June quarter cost per ounce was a hefty $151.

So where do we all go from here? The question is probably best answered by a leading Johannesburg broking house which reckons that, with the gold price relatively static and costs escalating sharply, mines which are reasonably low-cost producers and have the potential to increase their tonnages materially over the next year will be best placed to maintain profits in the present climate.

Its choices in this particular category are East Driefontein, President Steyn, Randfontein, Southvaal, Kloof and Hartebeest. All these mines had working costs of well under $100 an ounce in the June quarter.

INSURANCE

Points on computer cover

BY OUR INSURANCE CORRESPONDENT

ONE OF the consequences of the decision to acquire a computer is that once the machine is installed and running, the organisation cannot thereafter live without it, however simple its tasks — or perhaps thinks it cannot, which probably in practice amounts to the same thing.

The new computer user must as a matter of common prudence get himself a certain amount of self-insurance—for example, by finding out who within a reasonable distance has a similar machine and spare capacity, and making provisional arrangements for mutual aid in the event of trouble. And he must have a duplicate set of tapes stored separately, or be able immediately to reconstitute currently held information in the event of its destruction.

Standby power

Perhaps less obvious self-insurance is the purchase of a standby generating plant—admittedly an expensive item but perhaps less costly than the interruption that can be caused by a prolonged failure of power: here much will depend on the tasks the computer undertakes, how critical is its operational timing, how readily available is another machine and so on.

This kind of self-insurance is complementary to the purchase of what for want of a better word, I will call real insurance —cover against damage to the installation and cover against loss consequent upon such damage. For in fixing premium and policy terms, insurers will take into account the degree of self-insurance the computer user has already planned or can arrange.

Air conditioning is vital to the well-being of the computer, and a power failure, quite apart from putting the machine itself out of action, may cause damage to the air conditioning system, so it does not do its job properly: here again self insurance can reinforce policy protection, by the storage of duplicate parts, such as compressors and control mechanisms.

The user of a hired or leased computer may well find that the owner's material damage insurance can be extended to cover his interest—but this is an aspect that he must explore before the machine is installed, for not all hire contracts are written in precisely the same terms.

Package policies

The outright purchaser of a machine must make certain that his cover—not just material damage, but consequential loss —commences at the time the computer becomes his risk. This is not necessarily the date on which the machine is moved into his premises, for thereafter the installation will almost certainly have to be tested before it is handed over. While he can then insure against fire and standard perils, probably his better course is to get one of the many computer insurance packages that are now on offer—and thereby obtain wider "all risks" insurance.

Consequential loss insurance is available in several different forms to satisfy the individual computer user's particular requirements—cover can be arranged for loss of revenue, loss of interest, loss of gross profit and increased cost of working.

The individual user must assess his own needs having regard to the work that his computer undertakes: he must take take into account his planned self insurance, and he must try to evaluate the time during which he is going to have to live without the machine and/or rely on the service of others.

Legal liability

In all this he needs expert assistance—of his brokers if he so places his cover, of his insurers if he deals direct. Over the past few years those specialising in the insurance of computers have built up a store of technical knowledge which it is foolish to ignore.

Not only the computer bureau, but the computer user who has spare capacity, and rents this out, runs the risk of destroying or damaging the data which is processed, or perhaps of producing statistics and analyses which are materially incorrect, but which nevertheless are relied upon. Legal liability cover, most akin perhaps to professional negligence insurance, is available—indeed this kind of cover is now included in some modern computer package policies.

Public Works Loan Board rates

(Effective from August 30, 1975)

Years	Quota loans Repaid By instalments	Quota loans Repaid At maturity	Non-quota loans A* Repaid By instalments	Non-quota loans A* Repaid At maturity
Up to 5	11¾	12	13⅛	13⅜
Over 5, up to 10	12	12⅞	13⅛	13½
Over 10, up to 15	12	13⅜	13⅜	13⅞
Over 15, up to 25	13¾	14	13⅝	14¼
Over 25	13⅞	14¼	13⅞	14⅜

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A.

* Rate (%) Aug. 29, 1975

MONTHLY AVERAGES OF STOCK INDICES

—	August	July	June	May
Financial Times				
Governm't Secs.	60.44	60.17	58.24	57.42
Fixed Interest	[illegible]			
Industrial Ord.	[illegible]			
Gold Mines	[illegible]			
Dealings mkd.	[illegible]			
F.T. Actuaries				
Ind. Group	[illegible]			
500-Share	[illegible]			
All-Share	[illegible]			
20-year Govt.	[illegible]			
Red. Debs.	[illegible]			

AIRPORT FOOD UP

British Airports Authority has given approval for catering prices at Heathrow and Gatwick airports to rise by about 9 per cent. from to-day.

INSURANCE BASE RATES

* Atlantic Assurance	11½%
Cannon Assurance	9%

* Address shown under Insurance and Property Bond table.

EUROBONDS

$100m. issue for EIB

BY MARY CAMPBELL

THE SECONDARY market for dollar bonds was again reasonably quiet last week, but did reflect the effect of the higher dollar eurodollar interest rates.

Despite the weaker tendency, the European Investment Bank has come out with a $100m. issue. It offers a 9 per cent. coupon on a five-year maturity.

The success of the issue is assured if only because Union Bank of Switzerland is the lead manager. However, its main significance lies in the fact that it replaces the $100m. EIB issue which was withdrawn from the New York market earlier last month.

The terms being offered are identical to those proposed for the abortive New York issue. Following on the heels of the successful doubling of New Zealand's two-tranche issue from $50m. to $100m., it will be a notable morale booster for the European-based issuing houses.

The other dollar issue announced during the past week was $40m. for Dutch State Mines. Managed by Amsterdam Rotterdam and Morgan et Cie, this offers an indicated coupon of 9¼ per cent. on a five-year maturity.

The two other new issues are 20m. units of account for the City of Copenhagen, indicated coupon 9½ per cent., maturity ten years, and lead manager Kredietbank Luxembourgeoise and Sw.Frs.80m. on a 7¾ per cent. coupon for Norsk Hydro.

The D-Mark sector is going from bad to worse. With the reopening of the market to foreign borrowers dependent on developments in the domestic sector, the deterioration of the latter has serious international implications. The amounts being bought by the Bundesbank to support the prices of issues by the federal government and agencies has mounted up again (it was DM400m. or so last Thursday) and at this stage it can only be said that the measures taken by the authorities to strengthen the domestic market appear to have failed.

Growth at Carrefour continues

By Robert Mauthner

PARIS, Aug. 31.

FRANCE'S LEADING supermarket group, Carrefour Supermarché S.A., has announced a pre-tax first half 1975 profits of Frs.84.1m., up on profits of Frs.79m. for the same period last year.

At the same time, the company announced that it will raise Frs.330m. through a 6.75 per cent. 15-year four months convertible bond issue from next week. The bonds, which will be issued in Frs.245 units, will be convertible into Carrefour shares from January 1, 1976, at the rate of one share for 10 bonds.

Carrefour shares closed on the Paris Bourse last Friday at Frs.1,821, a drop of Frs.68 from Thursday's closing price.

The supermarket company, which is expanding rapidly abroad as well as in France—its first hypermarket is due to be opened near Rio de Janeiro next January, to be followed by another near Brasilia in November—continues to do well.

Its net turnover during the first seven months of this year reached Frs.3bn., up by more than 20 per cent. compared with the same period of 1974. Even when inflation is taken into consideration real sales during this period rose by 11 per cent.

Huhtamaki has booming exports

By Lance Keyworth

HELSINKI, August 31.

THE HUHTAMAKI group, one of the biggest Finnish conglomerates, with interests in food, packaging and metal products, as well as pharmaceutical and technochemical lines, announced a 1974 profit after tax of Fmks.6.1m. (approximately £760,000) and paid a dividend of 12 per cent.

Turnover increased by 22 per cent. to Fmks.703m. and exports rose by nearly 48 per cent. to Fmks.72.4m., to which the major contributors were the food-packaging and metal divisions. Regionally, the biggest increase in exports was to the Common Market, where deliveries doubled compared with 1973.

The managing director's statement in the group's annual report notes unusually great fluctuations in activity, "but most budgeted targets were achieved." It also reveals that group's best growth potential in the future should lie in plastic products and the metal industry."

Recession hitting NSU

By Michael Van Os

AMSTERDAM, August 31.

NEDERLANDSCHE Scheepvaart Unie (NSU), Holland's large[st] shipping company, has begun [to] feel the effects on business of the economic recession. The compan[y] said in Rijswijk to-day that [its] profits had fallen to Fls.60.2[m.] from Fls. 69.4m. in the first s[ix] months of last year. It add[ed] that second half results shou[ld] be "well below" the first ha[lf] outcome having totalle[d] Fls.77.3m. in the second half [of] 1974.

According to the statement, [the] company's net profit per sha[re] has fallen to Fls. 18.35. f[rom] Fls.21.16 in the same half la[st] year.

Indices

NEW YORK

DOW JONES AVERAGES

Close	Home Bonds	Transport	Indus.	Util.	Trading volume† 000's
					[illegible]

STANDARD AND POORS U.S. STOCK INDICES

	*Industrials	†Composite
Aug. 29	98.51	87.73
" 28	97.02	86.40
" 27	94.78	84.43
" 26	94.24	83.96
" 25	95.51	85.06
" 22	94.63	84.28
" 21	93.23	83.07
" 20	93.38	83.22
" 19	95.35	84.95
1975 High	107.49 (15/7)	96.61 (15/7)
1975 Low	77.71 (8/1)	70.74 (8/1)

* 425 Industrials. † 425 Industrials, 50 Utilities, 25 Rails.

STOCK AND BOND YIELDS

	Aug. 27 1975	Aug. 20 1975	Aug. 29 1974
Ind. Ord. yield pc	4.01	4.07	4.46
Ind. Ord. p/e ratio	10.37	10.31	10.21
Long-term Gov. Bds. per cent.	8.65	8.66	8.61

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Polaroid	183,900	35	+¼
Pan Amer. Air	165,000	4⅝	+⅛
Southern Cal. Ed.	163,500	18⅞	—
Niagra Mohawk	141,200	11⅞	—
CITI	125,800	32	−⅛
McGraw Ed.	123,600	17⅜	—
GLF W. Ind. WT	115,700	4⅝	−⅛
Nat. Semiconductor	116,000	36⅜	+⅝
Amer. Tel. & Tel.	107,500	46⅝	+⅜
Car PW LT	102,600	17⅝	+¼

IND. DIVIDEND YIELD p.c.

N.Y. SE ALL COMMON INDEX

RISES AND FALLS

AMERICAN SE MARKET VALUE INDEX

TORONTO INDUSTRIAL INDEX

Aug. 29	Aug. 28	1975 High	1975 Low
188.50	187.90	196.50 (15/7)	160.41 (2/1)

MONTREAL INDUSTRIAL INDEX

Aug. 29	Aug. 28	1975 High	1975 Low
195.65	194.43	206.61 (15/7)	169.95 (2/1)

COMBINED INDEX

Aug. 29	Aug. 28	1975 High	1975 Low
190.59	189.66	198.99 (15/7)	168.02 (2/1)

JOHANNESBURG

	Aug. 29	Aug. 28	1975 High	1975 Low
Industrials	215.3	215.3	236.9 (16/7)	193.2 (23/1)
Golds	364.0	363.7	379.1 (2/1)	283.7 (28/8)

(1958=100.) Source: Rand Daily Mail.

MELBOURNE YIELDS

Av'ge yield on 50 Leading Stocks	Aug. 28	Aug. 21	Aug. 14
On Dividends	7.60	7.47	7.57
On Earnings	13.45	13.70	14.12

SYDNEY ALL ORD. INDEX

Aug. 29	Aug. 28	High 1975	Low 1975
359.57	358.99	385.55 (4/6)	288.88 (9/1)

TOKYO NEW SE INDEX

Base=100 January 4, 1968.

Aug. 30	Aug. 29	High 1975	Low 1975
301.06	304.05	333.11 (2/7)	268.24 (10/1)

HONG KONG INDEX @

Aug. 29	Aug. 28	High 1975	Low 1975
300.14	296.43	341.57 (9/6)	160.48 (9/1)

SINGAPORE INDEX §

Aug. 29	Aug. 22	High 1975	Low 1975
217.60	215.76	265.69 (11/3)	163.26 (8/1)

EUROPE

	Aug. 29	Previous	1975 High	1975 Low
Belg'm (a)	107.43	106.99	111.81 (15/5)	89.07 (2/1)
Denm'k (b)	92.17	—	93.30 (19/8)	73.06 (13/1)
France (d)	67.7	67.3	72.6 (25/4)	61.70 (2/1)
Germ'y (e)	683.5	676.2	726.1 (15/4)	573.5 (8/1)
Holland (f)	94.2	93.5	107.6 (6/5)	83.8 (9/1)
Italy (g)	81.13	81.60	108.38 (21/2)	80.04 (21/8)
Spain (h)	97.81	98.06	110.98 (22/4)	96.60 (4/7)
Sweden (k)	378.67	374.14	391.44 (1/8)	310.56 (9/1)
Switz'rl'd (m)	247.4	244.8	285.1 (6/6)	206.5 (2/1)

Indices and base dates (all base values 100):—(a) Belgian S.E. 31/12/63. (b) Copenhagen S.E. 1/1/73. (d) Paris Bourse 1961. (e) Commerzbank December 1953. (f) Amsterdam Industrial 1970. (g) Milan 2/1/73. (h) Madrid S.E. 31/12/74. (k) Stockholm Industrial 1/1/58. (m) Swiss Bank Corp. 31/12/58. (n) Unavailable. @ Hang Seng Bank 31/7/64. § Straits Times 1966. (c) Closed. † Adjusted.

AUSTRALIAN WEEKLY LIST

TEL AVIV STOCK EXCHANGE

Source: Bank Leumi Le Israel, Tel Aviv.

JOHANNESBURG

MINES

INDUSTRIALS

AUSTRALIA

CANADIAN WEEKLY LIST

HONG KONG

SINGAPORE STOCKS

* Buyer † Sellers xa Ex-all.

GERMANY

CORAL INDEX Close 327-332

I.G. INDEX GOLD 155-161

Investment premium based on $2.20 per £1—106½% (104%)

AMSTERDAM

MILAN

TOKYO

PARIS

BRUSSELS

VIENNA

SWITZERLAND

SPAIN

COPENHAGEN

STOCKHOLM

OSLO

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

1975 High	1975 Low	Stock	Aug. 29
26¾	19¼	Johns Manville	22⅜
99	72¼	Johnson Johnson	85⅛
15⅜	8	Johnson Control	13⅛
89	42¾	Joy Manufactur'g	76
33¾	12⅜	Kaiser Alumin'm	29¾
55	28⅞	Corning Glass	42½
49⅛	32⅝	CPC Int'nation'l	45¼
52⅛	26½	Crane	46¼
26	14⅞	Crocker Nat.C.P.	22¼
40	24½	Crown Zellerbach	40
8¼	5⅛	Rapid America	6¼
59¼	25¼	Raytheon	59⅜
21	10⅜	RCA	18
3⅛	1¼	Reading	2⅛
35¼	22⅜	Republic Steel	32⅜
80½	52½	Revlon	70

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

AUTHORISED UNIT TRUSTS

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

REGIONAL MARKETS

Following the merger last year of U.K. stock exchanges, a selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish exchange.

Albany Inv. 20p	14	......	Craig Ship £1	390	......	Shiloh Spinn.	28	......
Ash Spinning	36	......	Hallam Sleigh 10p	6	......	Sindall (Wm.)	40	......
Bertam	18	......	Higsons Brew.	80	......			
Bdg'wtr. Est. 50p	115	......	I.O.M. Stm. £1	120	......	IRISH		
Clover Croft	35	......	Holt (Jos.) 25p	165	......			
Craig & Rose £1	310	......	Kleen-e-Ze	17	......	Alliance Gas (£1)	43	......
Dyson (R.A.)	30	......	Lovell's Ship £1	125	......	Carroll (P. J.)	112	......
Ellis & McHdy.	58	......	N'thn. Goldsmith	90	......	Clondalkin	50	......
Evans Fr'k. 10p	35	......	P.M.A.	31	......	Concrete Prods.	60	......
Evered	18	......	Pearce (C. H.)	50	......	Goodbody (£1)	38	......
Fife Forge	47	......	Peel Mills	12	......	Heiton (Hldgs.)	28	......
Finlay Pkg. 5p	16	......	Richards 10p	10	......	Irish Distillers	66	......
Frost & Reed 50p	85	......	RobbCaledon5p	20	......	Irish Wire	40	......
Gardiner & Sons	11	......	Sayers 12½p	8	......	Jacob	52	......
Gardner (L.)	70	......	Sheffield Brick	60	+2	Sunbeam	7½	......
			Sheff. Refrshmt.	141	......	Unidare	60	......

FINANCIAL TIMES STOCK INDICES

—	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 22	Aug. 21	A year ago
Government Secs	61.98	60.57	60.87	60.98	60.94	60.35	54.12
Fixed Interest	60.97	60.75	60.65	60.51	60.69	60.27	55.82
Industrial Ordinary	327.6	322.4	315.9	319.6	316.8	304.5	216.6
Gold Mines	347.0	344.9	342.2	343.4	340.7	364.1	369.1
Ord. Div. Yld. %	6.38	6.46	6.59	6.62	6.59	6.82	9.09
Earnings Yld. % (full)	16.30	16.46	16.86	16.66	16.97	16.68	24.42
P/E Ratio net	7.76	7.70	7.54	7.62	7.52	7.28	5.74
Dealings marked	5,371	5,180	5,450	4,795	5,175	4,477	4,874
Equity turnover £m.	—	66.48	45.98	54.04	66.68	47.261	28.71
Equity bargains total	—	12,035	12,676	13,567	11,837	11,579	8,671

10 a.m. 326.6. 11 a.m. 325.6. Noon 326.2. 1 p.m. 327.7. 2 p.m. 325.6. 3 p.m. 327.9.

Latest index 01-246 8026.

(a) Based on 52 per cent. corporation tax. (b) Nil=7.78.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1975 High	1975 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	62.34 (20/8)	49.18 (3/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	62.41 (21/8)	50.65 (3/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	365.5 (6/6)	146.0 (6/1)	543.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	442.3 (3/3)	280.2 (30/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

—	Aug. 29	Aug. 28
Daily—		
Gilt-Edged	174.6	166.9
Industrials	176.6	170.9
Speculative	38.9	39.7
Totals	122.2	117.9
5-day Average		
Gilt-Edged	181.7	186.6
Industrials	166.4	168.9
Speculative	43.1	42.2
Totals	118.1	114.1

FT—ACTUARIES INDICES

—	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 22	Aug. 21	A year ago
Industrial Group	130.19	128.07	125.96	127.38	124.01	119.38	63.64
500 Share	144.60	142.26	139.63	141.44	138.01	133.76	69.77
Div. Yield (net)	6.19	6.29	6.41	6.33	6.48	6.69	9.03
P/E Ratio (net)	7.22	7.11	6.98	7.07	6.90	6.68	5.26
All-Share	140.92	138.57	136.10	137.69	134.37	129.92	68.15
Consols Yield	14.98	14.18	14.17	14.17	14.14	14.24	15.68

BASE LENDING RATES

A.F.I. International	10 %	Industrial Bank of Scot.	10 %
Allied Irish Banks Ltd.	10 %	Jacobs, Kroll	11½%
Anglo-Portuguese Bank	10½%	Keyser Ullmann	10½%
Henry Ansbacher	10½%	Knowsley & Co. Ltd.	11½%
Banco de Bilbao	10 %	Lloyds Bank	10 %
Banco de Jerez	10½%	London & European	11½%
Bank of Cyprus	†10 %	London Mercantile	11½%
Banque du Rhone S.A.	10½%	Midland Bank	10 %
Barclays Bank	10 %	■ Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	■ Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit. Bank of Mid. East	10 %	Northern Comm. Trust	10½%
■ Brown Shipley	10½%	Norwich General Trust	10½%
Cayzer, Bowater Co Ltd	10½%	Portman Guaranty	11 %
Cedar Holdings	10 %	P. S. Refson & Co.	10 %
■ Charterhouse Japhet	10½%	Rossminster Accept'cs	10 %
C. E. Coates	10½%	Royal Trust of Canada	11 %
Consolidated Credits	12 %	Schlesinger Limited	10½%
Continental Trade Bk.	10 %	E. S. Schwab	[illegible]
Co-operative Bank	*10 %	Security Trust Co. Ltd.	[illegible]
Copleys Bank	11½%	Shenley Trust	[illegible]
Corinthian Securities	10 %	Standard & Chartered	[illegible]
Credit Lyonnais	10 %	Sterling Credit	[illegible]
G. R. Dawes	11 %	Thames Guaranty	[illegible]
Duboff Brothers	11½%	Trade Development Bk.	[illegible]
Duncan Lawrie	10½%	Twentieth Century Bk.	[illegible]
English Transcont.	11½%	United Bank of Kuwait	[illegible]
First London Secs.	10 %	Wallace Brothers Bank	[illegible]
■ Antony Gibbs	10½%	Whiteaway Laidlaw	[illegible]
Goode Durrant Trust	10 %	Williams and Glyn's	10 %
Greyhound Guaranty	10 %	Yorkshire Bank	10 %
Grindlays Bank	10½%		
■ Guinness Mahon	10 %		
■ Hambros Bank	10 %		
Hamilton & Partners	13 %		
■ Hill Samuel	§10 %		
C. Hoare & Co.	†10 %		
Julian S. Hodge	11 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8%. 1-month 8½%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 7%, over £25,000 7½%.
‡ Demand deposits 7%.
§ Demand deposits 7½%.

NOTES

Prices do not include $ premium, where applicable, and are in pence unless otherwise indicated. Yields allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ♀ Guernsey gross. # Suspended. ★ Single premium insurance bonds.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Handicrafts and Do-It-Yourself Exbn. (cl. Sept. 6)	Olympia
Current	Motor Cycle Exhibition (cl. Sept. 4)	Earls Court
Sept. 2—4	Control and Instrumentation Exhibition	West Centre Hotel, W.6
Sept. 2—5	Northern Floor Coverings Fair	Harrogate Exbn. Centre
Sept. 4—6	Business and Light Aviation Show	Cranfield, Beds.
Sept. 7—11	Furnishings and Decorative Lighting Exhibition	Metropole, Brighton
Sept. 7—11	International Gift Trade Fair	Manchester
Sept. 8—12	Electro-Optical Systems and Lasers	U.S. Trade Centre, W.1
Sept. 9—11	Inst. of Groundsmanship Exhibition	Motspur Park, Surrey
Sept. 9—12	Menswear Fashion Fair	Manchester
Sept. 9—20	Food, Cookery and Catering Exhibition	Manchester
Sept. 9—20	Chelsea Antiques Fair	Chelsea Town Hall
Sept. 10—20	East Midlands Home Life Exhibition	Leicester
Sept. 14—18	International Watch and Jewellery Trade Fair	Royal Lancaster Hotel, W.2
Sept. 15—19	Plant Engineering and Maintenance Exbn.	Earls Court
Sept. 16—18	Automatic Testing Exhibition and Conf.	Bloomsbury Centre Hotel
Sept. 16—19	Dust Control and Air Cleaning Exbn.	Olympia
Sept. 16—19	Foodpack International Exhibition	Earls Court
Sept. 16—19	Filtration and Separation Exhibition	Olympia
Sept. 16—19	Offshore Europe '75 Exbn. and Conf.	Aberdeen
Sept. 21—24	Menswear Assn of Britain Exhibition	Harrogate Exbn. Centre
Sept. 23—25	Electronic Instrument Exhibition	Bloomsbury Centre Hotel
Sept. 23—25	London International Footwear Fair	Earls Court
Sept. 29—Oct. 2	Southern Floorcoverings Exhibition	Metropole, Brighton
Sept. 29—Oct. 3	Below the Line — SPEC '75 Exbn.	Olympia
Oct. 1—3	British Computer Society Datafair	Cunard Intnl. Htl., W.6
Oct. 1—8	Business Efficiency Exhibition	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Sept. 3—10	International Trade Fair	Plovdiv, Bulgaria
Sept. 5—7	International Men's Wear Exhibition	Salzburg
Sept. 6—9	Women's, Children's and Men's Wear Exhibitions	Paris
Sept. 6—9	International Leather Fair	Paris
Sept. 7—10	International Fashion Trade Fair	Dusseldorf
Sept. 9—13	Electronics and Electrical Eng. Trade Fair	Basle
Sept. 10—18	International Engineering Fair	Brno, Czechoslovakia
Sept. 11—21	International Motor Show	Frankfurt
Sept. 12—21	Zagreb International Fair	Zagreb
Sept. 13—28	National Fair—Comptoir Suisse	Lausanne
Sept. 15—18	Intnl. Airport Construction and Equip. Exbn.	Brussels
Sept. 16—21	Design Engineering Exhibition	Tokyo
Sept. 18—19	British Textile Designers' Fair	Amsterdam
Sept. 26—Oct. 5	International Hi-Fi Exhibition	Stockholm
Sept. 20—23	Pan-African Textile Exhibition	Abidjan, Ivory Coast
Sept. 25—29	Overseas Import Fair	Berlin
Oct. 2—8	World Telecommunication Exhibition	Geneva

BUSINESS AND MANAGEMENT CONFERENCES

To-day	Financial Times, Norwegian Journal of Commerce and Shipping, Svenska Dagbladet, Berlinske Tidende, Helsingin Sanomat and the Oil Daily: The Second Scandinavia and the North Sea Conference (cl. Sept. 2)	Oslo
To-day	Assn. Cert. Accnts.: Fin. Planning (cl. Sept. 4)	Hotel Russell, W.C.1
To-day	Brunel Univ.: Work Negotiations (cl. Sept. 5)	Uxbridge, Middlesex
To-day	Harry Mitchell and Prts.: Work Study (cl. Sept. 26)	Beeston, Notts.
Sept. 2	Economic Models: Energy Forecasts	30 Old Queen Street, S.W.1
Sept. 2—3	Henley Centre: Britain in the 1980s	Henley, Oxfordshire
Sept. 2—4	IPM: Efficient Personnel Administration	Park Court Hotel, W.2
Sept. 2—4	Nat. Eng. Laboratory: Energy Utilisation	Glasgow
Sept. 3	Inst. Met.: Materials in Petro-Chemicals	Runcorn, Cheshire
Sept. 5—7	AIA conf.: Accounting for Inflation	Trinity Coll., Cambridge
Sept. 5—12	IEE: Management in Engineering	London Grad. Bus. Sch., NW1
Sept. 7—26	W. D. Scott and Co.: Clerical Work Improvement	Moor Hall, Cookham, Berks.
Sept. 8—13	ICMA: Change Accounting and High Inflation	St. Catherine's Coll., Camb.
Sept. 8—Oct. 3	Asbridge Man. Coll.: Management Dev. Prog.	Berkhamsted, Herts.
Sept. 10—11	Financial Times and the Oil Daily: World Coal	Europa Hotel, W.1
Sept. 11—12	BIM: Effective Speaking	Parker Street, W.C.2
Sept. 15—19	P-E Cons. Group: Leadership in Management	Egham, Surrey
Sept. 16—17	Financial Times and Institute of Chartered Accountants in England and Wales: Inflation Accounting—Implications of the Sandilands Report	London Hilton, W.1.
Sept. 16—18	BACIE Annual Conference: Educated for What?	St. John's Coll., Cambridge
Sept. 17	Bus. and Ind. Trng.: Tax planning for Dentists	Royal Garden Hotel, W.8
Sept. 18	IPS: Health and Safety at Work Act	NFBTE Centre, W.1
Sept. 22—24	ORC (U.K.): Expatriate Pay Policies	Chicago
Sept. 24	Arab Mkt. Res.: Selling to Arabian Peninsula	Birmingham Ch. Com.
Sept. 25	London Chamber of Commerce: Export Finance	Cafe Royal, W.1
Sept. 28—Oct. 1	Stanford Res. Inst.: Decision Analysis	Lake Como, Italy.
Sept. 29—Oct. 1	Tack Org.: Finance for Non-Accountants	London, S.W.1

Sandilands report this week

BY MICHAEL BLANDEN

MAJOR INNOVATIONS in company accounts could result from publication on Thursday of the Sandilands report on inflation accounting.

The views expressed and the committee's recommendations are likely to have fundamental implications both for companies and for the Government itself.

It is expected the report will recommend widespread adoption of some form of accounting to support or even replace the traditional historic cost accounts.

A form of inflation accounting has already been adopted by a number of companies, and in some cases has had dramatic effects on their profits.

The Bank of England itself recently showed that making adjustments for the impact of inflation on its results had the effect of turning a published operating profit of £13m. to a loss of £4.3m.

Most present practice is based on the provisional standard produced by the accounting bodies, which recommends use of the current purchasing power (CPP) method of adjusting the figures.

However, considerable debate has arisen over the merits of this system and of alternatives such as replacement cost accounting, and the Committee is expected to consider these issues in detail.

The committee was set up in 1973 under the chairmanship of Mr. Francis Sandilands, chairman of Commercial Union Assurance, against the background of growing concern over the implications of inflation accounting. Its report has been ready for some time.

Arab shipping interests study insurance problem

BY OUR OWN CORRESPONDENT

CASABLANCA, August 31.

THE GROWING impact of Arab interests and money in the shipping and insurance industries will be highlighted here to-morrow when a four-day seminar on marine hull insurance gets under way.

Delegates have come from more than 14 Arab countries to listen to insurance experts from the London, American and French markets. The seminar has been arranged by the General Arab Insurance Federation.

The reopening of the Suez Canal has given a boost to Arab shipping aspirations and new ship-repair facilities for large vessels are under construction in the Gulf. But Arab involvement in shipping generally has been growing rapidly, including the acquisition of supertankers. Many more mammoth deals are rumoured.

The international speakers at this week's seminar will include Mr. Ted Rainbow, chairman of the Institute of London Underwriters, who will discuss London's current attitudes in hull underwriting, Mr. Dick Rutherford, Lloyd's principal adjuster of hull claims, who will review Suez Canal experience to date, and Mr. Allen Schumacher, chairman of the American Hull Insurance Syndicate.

Looking ahead over the next ten years, with particular reference to super vessels, will be Mr. G. W. Handley, senior vice president of Marsh and McLennan, New York insurance brokers. Other subjects on the agenda include reinsurance facilities, shipowners' protection and indemnity mutual clubs, loss prevention, and pollution risks.

TV advert ban loophole sought by Government

By Arthur Sandles

THE GOVERNMENT and the Independent Broadcasting Authority are jointly examining the problem of regulations which seem to say that a planned £2m. campaign in support of the £6 pay limit policy on commercial television would be illegal. The Broadcasting Acts forbid political advertising.

Preliminary talks about the campaign have taken place. ITC needs the £2m. revenue and the Government needs the advertising outlet.

The rules clearly state that no political advertising is allowed, and political does not have to be "party political." There were considerable problems over the referendum when the Government was not even allowed to urge people to vote, since abstention was a perfectly acceptable political stance.

CONSUMER CONFIDENCE By SANDY McLACHLAN

Further fall in demand for 'durables' likely

EVIDENCE THAT a further fall in demand for consumer durables is in prospect is contained in the latest FT monthly survey of consumer confidence. In August there was a decline in the number of people who favoured an early purchase of consumer durable items, and the fall was much more marked among ABC 1 men.

With willingness to buy much lower in recent months than at the beginning of the year—when pre-Budget speculation prompted a consumer boom—the six-month moving average of the time-to-buy index continues to fall sharply.

The survey is produced for the Financial Times by the British Market Research Bureau, and is based on a nationally representative sample of 1,007 adults interveiwed between July 31 and August 6.

Therefore, any effects of the Government's £2m. advertising campaign against inflation will not be reflected in the indices until next month.

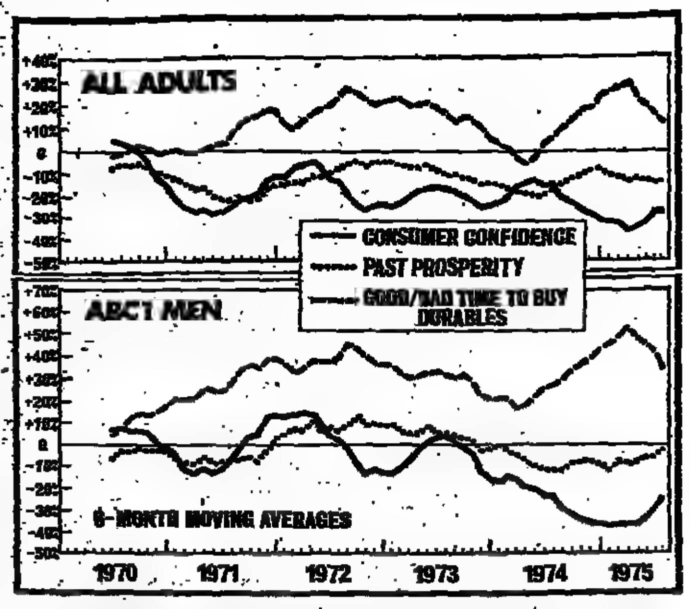
In August more people were gloomy about the prospects for the next 12 months than in July, and the consumer confidence index fell from 19 per cent. to 29 per cent. for all adults. Increasing pessimism was more marked among ABC1 men where the index fell from 10 per cent. to 24 per cent.

However, the six-month moving average has proved less volatile, and there has not been a great deal of change this year in the level of confidence measured by this indicator.

In January, the six-month moving average for all adults was 31 per cent., while the latest figure is 28.3 per cent.

The survey also shows that the expectation of rising unemployment remains high. The sample interviewed are asked whether they expect unemployment in their area to rise or fall in the future.

In August, a balance of 49 per cent. expected the level of unemployment in their area to increase, and this is the gloomiest figure since this question was incorporated in the survey in 1972.



The consumer confidence line charts the percentage balance of respondents expecting conditions to improve in the next 12 months over those expecting them to worsen.

Past prosperity is the percentage balance of people saying that their families are better off than they were 12 months ago over the balance saying they are worse off.

The durable line charts the percentage of those surveyed who think the present moment is a good one for buying consumer durables over those who think it is a bad time to buy.

European countries 'spend millions' to cut jobless

BRITAIN IS not alone in her attempts to fight unemployment. A report shows that powerful measures, costing millions of pounds, are being taken by other European countries at Government and industry level to secure jobs.

The report in the two-monthly issue of Incomes Data Services, an independent research organisation, spells out in detail the measures being taken.

Belgium: The accent is on schemes to encourage early retirement. A general agreement for this year and next provides for retirement at the age of 64 for employees with 45 years' social security contributions.

Denmark: A two-year incomes policy has been adopted by Parliament aimed at curbing wages and putting Danish companies on a more competitive footing in international markets.

France: Dominant measures over the last months are a system of incentives to take on new employees and increased compensation for short-time working.

Irish Republic: The Irish Government included an employment "premium" programme in its June Emergency Budget to meet a "particularly serious" problem.

Italy: The idea is to reduce the hours of work before reducing the workforce. Compensation for lay-offs and short-time working is paid by a national fund into which employers pay contributions. Deficits are covered by the Government.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—

Wrighton Intl., Billet Road, E. 19.

BOARD MEETINGS—

[illegible]

APPOINTMENTS

Barclays Bank group executive posts

BARCLAYS BANK has made the following appointments: Mr. Peter Maitland has become an executive director of Barclays Insurance Services Company, the insurance advisory member of the group. He is an insurance broker and a member of Lloyd's, and was previously with Glanvill Enthoven and Co., Mr. Benard Mattingly is now an executive director of Barclaytrust International and Barclaytrust Channel Islands. He was previously manager of Barclays Bank Trust Company's City Investment Office in London.

*

Mr. W. J. Bellars has been appointed by BRITISH GAS as an assistant director at its London Research Station. He was formerly manager of the mathematics and computing division at the station.

*

Professor Samuel Eilon has resigned as a non-executive director of SPENCER STUART AND ASSOCIATES, management consultants.

*

Mr. Frank Falck has joined the Board of SANDERSON KAYSER as financial director.

*

Sir Alexander Glen is to remain chairman of the BRITISH TOURIST AUTHORITY for a further year. Sir Mark Henig will be chairman of the ENGLISH TOURIST BOARD for a further three years.

*

Mr. E. L. Phipps and Mr. R. M. H. Wildenberg have been made directors of Dashwood and Brewer and the name of the company has been changed to DASHWOOD BREWER AND PHIPPS.

*

Mr. A. L. Robinson has been appointed deputy managing director of LR INDUSTRIES, a division of LRC International. He was previously managing director of Hermetic Rubber Company. Mr. S. Martin has been appointed director of export sales with LR Industries. He joins the company from Coulter Electronics.

*

Having resigned from the Board of N. M. Rothschild and Sons, Mr. Stanley Berwin has resigned his position as the bank's liaison director on the Board of TESCO STORES (HOLDINGS). Rothschild continues to be Tesco's main merchant bank adviser.

*

Mr. James M. Chalmers has been appointed chairman of the new DUNDEE PORT AUTHORITY. He is managing director of Dundee Perth and London Shipping Company and chairman of Dundee Petrosea.

*

Mr. G. Kaan, manager and director of research of the Koninklijke-Shell Laboratorium, Amsterdam of Shell Research BV, and manager of Shell Nederland BV, has been appointed chemical co-ordinator The Hague with SHELL INTERNATIONALE CHEMIE MAATSCHAPPIJ BV, from December 1. He will succeed Mr. E. Lelyveld, who is to retire from the group on that date. Mr. Kaan will hand over his duties at Amsterdam to Mr. J. M. Goppel, at present director of chemical research at the laboratory at Amsterdam, from September 1.

*

Mr. Brian J. Jenkins has been appointed marketing director on the Board of BOWATER-SCOTT CORPORATION. He was previously with Carreras Rothmans Tobacco Company.

*

Mr. A. K. Adams has been appointed to the Board of BRASWAY as financial director. He was previously financial director of the National Standard Company.

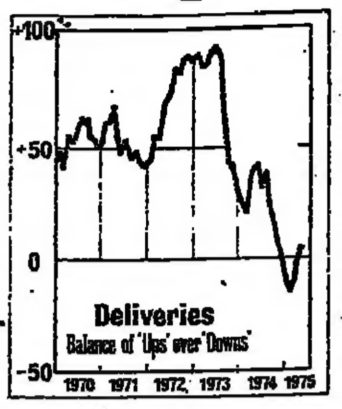
*

Mr. G. A. H. Rattray has retired from the Board of the NORTH BRITISH DISTILLERY COMPANY.

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Less inflation expected



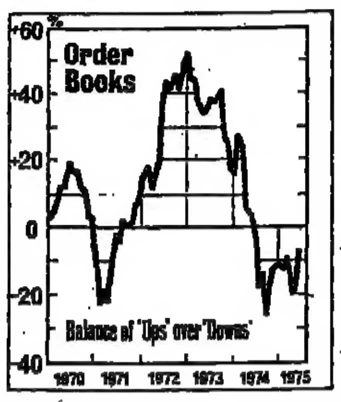
RISES IN WAGE costs are expected to fall back sharply as a result of the Government's new counter-inflation policy, and this has produced slightly greater optimism among companies about the general outlook for the economy. The feeling is only tentative, however, and the picture in industry and in the three sectors covered by the latest survey—non-electrical engineering, brewers and distillers and paper and connected industries—shows continuing recession.

Lower investment, higher unemployment and pressure on profit margins (though with an improvement in companies' liquidity situation) remain the major elements in the immediate outlook. There is a rather less hopeful view than earlier of export prospects, though optimism in this area remains relatively high.

Both engineering and the paper and connected industries were more inclined to say that their view of the general business situation was more hopeful. Reactions tended to reflect individual company situations, however, with the order situation in particular influencing the views of engineering companies. The outlook for beer sales is affected by the prospect of rising unemployment.

ORDERS AND OUTPUT

Little recovery



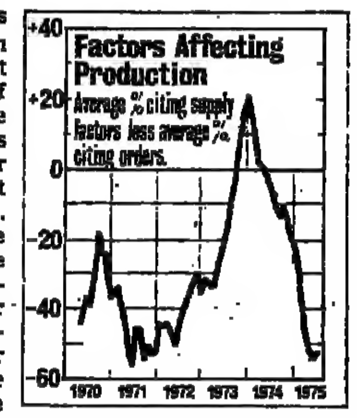
THE OUTLOOK for production and turnover has deteriorated significantly in the past month, with new orders sowing a slight but not very marked further decline. Both brewers and distillers and the paper industries now say that they expect virtually no increase in the volume of turnover over the next 12 months. In the engineering sector, few companies saw any sign of an upturn, and one suggested that this could be delayed until late next year.

The outlook is reflected in a median expected change of only 2 per cent. in production or sales turnover in industry, compared with 3.1 per cent. in the previous survey. Against this, there has been a continued improvement in the level of recent deliveries. This reflects more optimistic answers from the brewery and distilling sector and less hopeful ones from engineering. In the paper and connected industries, printing sales were low and paint sales had been affected by the low level of industrial output.

Paper was also particularly inclined to report a reduced level of new orders over the past four months. The outlook for order books improved, however, after the previous fall, mainly because of special factors in the breweries sector.

CAPACITY AND STOCKS

Slower rundown of stocks



LACK OF DEMAND remains the main factor holding down production, but for the first time since the beginning of 1974 the index measuring the extent to which production is determined by demand rather than supply has shown a slight improvement. The signs are, however, that this may be the result only of acceptance of the current situation. A slight reduction in the tendency for companies to mention a shortage of home orders as a factor affecting production may arise simply because they feel the problem is no longer worth mentioning. Generally, supply constraints are unimportant except labour disputes and shortages of skilled labour.

There are some signs, though, that the sharp rundown in stocks this year could slow down. The tendency has been for companies to say that they now expect their stocks of manufactured goods and work in progress to increase over the next 12 months, though there is little expected change in stocks of raw materials and components. Replies to a further question on stocks in relation to sales trends show that three-fifths think they are now about right and only a third—against 38 per cent. previously—feel they are too high.

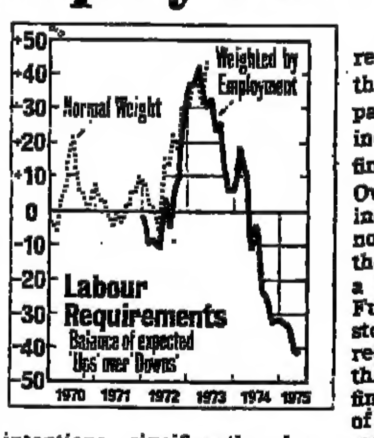
CAPACITY WORKING

4 monthly moving total — August 1975

Those working at:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Above target capacity	16	9	11	12	3	68	—
Planned output	36	37	29	35	66	17	15
Below target capacity	48	54	60	53	31	15	85
No answer	—	—	—	—	—	—	—

INVESTMENT AND LABOUR

Higher unemployment



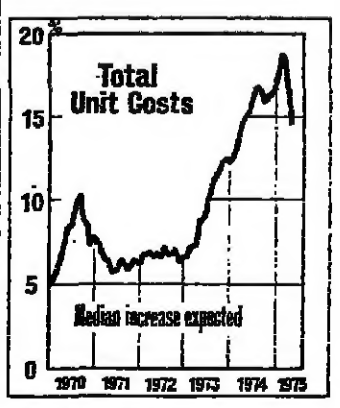
FURTHER RISES in the level of unemployment are again strongly indicated by the survey, though it is possible to detect a slight slow-down in the rate of the recent deterioration in the situation. Engineering firms in particular were rather more inclined to say that they expected their labour force to decrease over the next 12 months than they were last April, and the balance of expected "downs" over expected "ups" is still increasing.

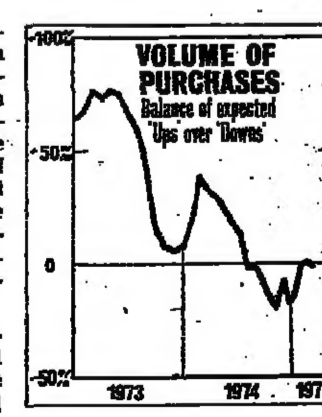
Expectations of capital investment have dropped slightly, but the picture generally remains little changed, with the balance of intentions significantly downwards in line with recent indications.

This factor, coupled with the recent marked improvement in the level of liquidity in companies, has continued to reduce industry's need for outside finance for capital spending. Over two-fifths of the all-industry sample expect to make no call on outside finance for the year, compared with only a third in the previous survey. Further evidence of the past stocks run-down is given by the reduced number of mentions of this as a possible source of finance. The possibility of sales of assets, however, is now being mentioned by some larger companies. Less than a fifth now feel their liquidity is too low.

COSTS AND PROFIT MARGINS

Still pressure on margins





THE GOVERNMENT'S £6 pay limit is now beginning to have a marked effect on cost expectations. All of the three sectors reported lower rates of cost increase than in April. And the all-industry median forecast rise in wages has dropped from 30.1 per cent. to 17.1 per cent., with a smaller reduction in the expected increase in unit costs.

Further falls are to be expected, but the move does not seem to have helped profit expectations. Of the all-industry figures, 36 per cent. now expect a drop in profit margins in the next 12 months. In engineering the effects of competition and the length of time to complete orders coupled with the inflationary climate were quoted as reasons, with overheads and falling turnover, while the effect of the price code on brewing and distilling was mentioned as well as high overheads.

Indications of expected earnings on capital employed and earnings per share during the current year have also dropped back, with depressed views in both brewing and distilling and in paper and connected industries. More companies are now expecting falls in earnings per share than expect rises.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives about their companies' situation and prospects.

Three industries and some 30 companies are covered in turn every month from a sample based upon the FT-Actuaries Index, which accounts for about 60 per cent. of the total turnover of all public industrial companies. The weighting is by market capitalisation, save where an alternative weighting is specifically mentioned.

The all-industry figures are four-monthly moving totals, covering some 120 companies in 11 industry groups (mechanical engineering is surveyed every second month).

GENERAL BUSINESS SITUATION

4 monthly moving total — August 1975

Are you more or less optimistic about your company's prospects than you were four months ago?	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
More optimistic	24	24	23	20	32	2	16
Neutral	35	36	39	42	47	31	32
Less optimistic	41	40	35	35	21	67	52
No answer			3	3			

EXPORT PROSPECTS (Weighted by Exports)

4 monthly moving total — August 1975

Over the next 12 months exports will be:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Higher	76	84	77	73	41	76	52
Same	10	8	12	12	20	—	44
Lower	11	8	11	15	19	24	4
Don't know	3	—	—	—	20	—	—

NEW ORDERS

4 monthly moving total — August 1975

The trend of new orders in the last four months is:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Up	30	25	21	19	16	68	—
Same	19	21	17	20	3	28	2
Down	42	37	38	37	63	4	86
No answer	9	17	24	24	18	—	12

PRODUCTION/SALES TURNOVER

4 monthly moving total — August 1975

Those expecting production/sales turnover in the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Rise over 20%	4	3	3	4	—	—	—
Rise 15-19%	8	8	8	2	2	—	—
Rise 10-14%	2	2	2	3	9	—	1
Rise 5-9%	16	26	26	25	31	4	2
About the same	56	46	48	42	21	96	85
Fall 5-9%	7	7	2	16	—	—	6
Fall over 10%	1	3	3	3	—	—	—
No comment	6	5	8	5	37	—	6

STOCKS

4 monthly moving total — August 1975

Raw materials and components over the next 12 months will:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Increase	17	15	17	14	11	65	3
Stay about the same	49	54	52	49	21	33	39
Decrease	31	29	30	34	50	2	46
No comment	3	2	1	3	18	—	12
Manufactured goods over the next 12 months will:							
Increase	15	9	14	15	3	87	—
Stay about the same	34	40	39	44	8	11	52
Decrease	34	36	34	31	21	2	26
No comment	17	15	13	10	68	—	22

FACTORS CURRENTLY AFFECTING PRODUCTION

4 monthly moving total — August 1975

	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Home orders	72	80	86	85	74	26	88
Export orders	46	47	40	36	34	24	37
Executive staff	5	4	4	6	—	6	—
Skilled factory staff	12	13	16	16	29	—	2
Manual Labour	6	6	2	1	—	—	—
Components	5	10	10	11	21	—	—
Raw materials	9	9	12	11	3	2	—
Production capacity (plant)	2	4	4	3	—	2	—
Finance	3	7	7	6	3	—	—
Others	1	—	—	—	18	—	—
Labour disputes	23	21	23	19	18	74	2
No answer/no factor	9	9	4	5	—	—	11

LABOUR REQUIREMENTS (Weighted by Employment)

4 monthly moving total — August 1975

Those expecting their labour force over the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Increase	4	5	9	10	5	—	—
Stay about the same	50	50	48	47	48	6	68
Decrease	46	45	43	43	47	94	32
No comment	—	—	—	—	—	—	—

CAPITAL INVESTMENT (Weighted by Capital Expenditure)

4 monthly moving total — August 1975

Those expecting capital expenditure over the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Increase in volume	—	—	—	—	58	—	19
Increase in value but not in volume	28	29	31	37	5	—	6
Stay about the same	27	27	21	16	—	1	39
Decrease	43	42	47	47	37	99	36
No comment	2	2	1	—	—	—	—

COSTS

4 monthly moving total — August 1975

Wage costs over the next 12 months will rise by:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
0-4%	—	—	—	—	—	—	—
5-9%	5	—	—	—	18	—	52
10-14%	30	17	7	6	47	81	32
15-19%	24	23	20	21	—	17	12
20-24%)	—	—	—	—	—	2	2
25-29%)	36	54	65	60	—	—	—
30%+)	—	—	—	—	3	—	—
Same	—	—	—	—	—	—	—
Decrease	—	—	—	—	—	—	—
No answer	5	6	8	13	32	—	2
Total units costs over the next 12 months will rise by:							
0-4%	—	—	—	—	—	2	—
5-9%	9	4	—	—	—	17	48
10-14%	23	13	15	31	21	72	43
15-19%	22	29	31	29	29	9	6
20-24%	23	32	32	—	8	—	2
25-29%	4	4	3	33	3	—	—
30%+	2	2	5	—	2	—	—
Same	1	1	1	—	—	—	—
Decrease	7	7	7	1	—	—	—
No answer	9	8	6	6	37	—	1

PROFIT MARGINS

4 monthly moving total — August 1975

Those expecting profit margins over the next 12 months to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Improve	15	16	18	18	18	9	5
Remain the same	44	51	47	42	50	11	26
Contract	36	29	31	37	32	80	69
No comment	5	4	4	3	—	—	—

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 67½% (based on $2.1100 per £)

CANADIANS

[illegible]

S.E. List Premium 67½% (based on $2.1000 per £)

Conversion factor 0.5985 (0.6042)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER & ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Cont.

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS & CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INDUSTRIALS—Continued

††INSURANCE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, Etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Burma Mine 17½p	8	29.5	‡0.5	—	3.7
—	Charterhall 5p	50½	36.7	—	—	—
—	Colby Mines $1	75¢	—	—	—	—
Aug. Feb.	Cons Murch. 10c	690	30.4	Q120c	2.2	‡
— —	Lauranis	43½	—	—	—	—
—	NRD $1	14	—	—	—	—
July	Northgate C$1	900	20.9	Q55c	1.0	9.4
Jan. June	R.T.Z.	269	21.4	4.97	4.4	4.6
—	Sabina Inds. C$1	80	—	—	—	—
—	Sunford Mines	65	—	—	—	—
—	Tara Exploration $1	£12¼	—	—	—	—
— —	Yukon Cons C$1	66	11.65	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ∆ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ♦ Figures or report awaited.
- †† Banks and Insurance reserve allocations may preclude calculation of dividend cover.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Based on 1973 profits
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ∥ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. M Figures based on prospectus or other official estimates for 1974-75. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 29

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security.

FINANCIAL TIMES

Monday September 1 1975

Jack Jones calls for £2bn. companies' investment fund

BY JOHN WYLES IN BLACKPOOL

A CAMPAIGN demanding Government powers to force companies and pension funds to allocate more money for investment was launched here yesterday by Mr. Jack Jones, general secretary of the Transport and General Workers' Union.

In a bid to persuade the *Government to take a "fresh* approach" on investment, Mr. *Jones has sent proposals to Mr.* Denis Healey, Chancellor of the Exchequer, for setting up special company investment funds similar to suggestions made by the TUC General Council in its annual economic review earlier this year.

The TGWU plan also calls for a consortium of big pension funds and other institutional investors which would collaborate with the National Enterprise Board in channelling the money to new investment.

The special investment fund idea is modelled on a Swedish scheme and was *developed for* the TGWU by Mr. John Hughes, director of the trade union research unit at Ruskin College, Oxford.

Exempted

Despite an exchange of correspondence *which* began in the spring and culminated in a meeting on July 11 between TGWU and Treasury officials, which was also attended by Mr. Hughes, the union, however, apparently made *little headway* in persuading the Chancellor's advisers of the need *for its proposals.*

While exempting Mr. Healey from personal criticism, Mr. Jones thought yesterday that the Treasury was "a little unimaginative." He wondered whether "we don't suffer from *civil service sabotage*, not designed but based on complacency."

The TGWU claims that its *ambitious plans could create up* to £2bn. a year extra investment and Mr. Jones *said that it had* taken its proposals to the Treasury because of its vital concern with employment and the need for urgent action to create new jobs.

The central aim of the proposals was to prevent the diversion of massive funds into property and speculation at a time when industrial investment was too low.

The special investment funds *were aimed at forcing companies* to "hive-off" some of their *profits into a special account* which would earn no interest while *the money lay there* unused.

Companies would only be allowed to use this money for new investment and *its use* could be tied in with the framework of planning agreements and the role of the NEB.

The pension fund consortium should, under the plan, start with an initial target of providing £500m. for investment which would be increased by a share of all new institutional *funds for the next two years.*

Mr. Jones, while still pressing *the Treasury to adopt the plan,* is urging fresh programmes for creating jobs *and an expansion* of employment subsidies to help tackle spiralling unemployment.

Michael Blanden writes: The plans put forward by Mr. Jones would involve fundamental and permanent changes in the *financing of investment* and the structure of investment incentives. *This point is likely to be* made when the Treasury replies *in detail to the proposals.*

Mr. Healey is in Washington to attend the IMF meeting but is expected back this week and it is thought the Treasury will produce its comments on the proposals soon after his return.

The idea of tapping institutional resources has been debated *in various forms for* some time. Already a major £1bn. medium-term lending facility has been set up through Finance for Industry *with institutional* and bank backing, after suggestions made last year by Mr. Harold Lever, Chancellor of the Duchy of Lancaster, while Sir Henry Benson, Bank of England economic adviser, is engaged in talks with institutional leaders about the possibility of setting-up a new "equity bank" drawing on their funds.

Earlier this year, however, the Prime Minister and Mr. Lever both strongly rejected ideas of directing institutional funds into industry put forward by Mr. Anthony Wedgwood Benn when he was Industry Secretary.

The union proposals come at *a time when industrial investment* is at a very low ebb. Recent figures have *shown a* further 7 per cent. drop in manufacturing industry's capital spending in real terms in the second quarter of the year, and official surveys have suggested that over the year as a whole investment could drop by as much as 15 per cent.

Fundamental

The plan, *however, appears to* be much more than a short-term measure *to overcome a cyclical* drop in investment or a temporary lack of institutional financial support for industry. It implies a fundamental change in the methods *of* financing investment.

The Treasury's initial reactions have apparently not been very *favourable, but it seems that at* first officials there had been working on the assumption that the plan was designed mainly as a *temporary measure*

Officials are examining the implications of adopting proposals *of this kind on a broad and* permanent basis, involving long-term changes in the structure of industrial finance.

Ulster 'Congo' feared by Rees

BY GILES MERRITT

"CONGO-STYLE" civil war in Ulster would follow a British *withdrawal from the Province,* Mr. Merlyn Rees, Northern Ireland Secretary, said this week-end.

In separate interviews with the Irish Republic's RTE radio broadcasting service and the BBC, Mr. Rees twice used the Congo illustration to stress the British *Government's continuing determination to maintain direct rule while still searching for a political solution.*

But yesterday, Mr. John Taylor, a prominent Official Unionist leader, said that although he did not believe in an immediate withdrawal that would trigger a "*terrible civil war in which as many* as 100,000 Roman Catholics might *have to leave their homes," he* felt eventual abandonment by Britain was inevitable.

Mr. Taylor also said he feared that the present Ulster crisis was headed towards its climax.

"We are entering the final phase of the torture of Ulster." The breakdown of political alternatives would be apparent well before Christmas and the real climax would come by Easter.

Despite four consecutive nights of bombings in and near London, Ulster politicians this week-end were not losing sight of the fact that the rapidly worsening Northern Ireland situation remains the central issue.

Bomb attack

The sectarian war between *para-military factions has* continued unabated with the death of a Catholic in a bomb-and-bullet attack on a pub in which several others were injured. The alleged involvement of individual members of the Ulster Defence Regiment has been raised once again by the murder *of an off-duty UDR man* near Dungannon, Co. Armagh.

The bitter sectarian feuding that has long marked that area —earning it the title of "murder *triangle*"—*is now approaching* guerilla warfare and several Loyalist leaders are calling for the authorities to declare martial law in south Armagh.

A new para-military body has emerged to join the 35-odd in Northern Ireland, and has claimed responsibility for the *killing of the UDR member.*

Calling itself the "South Armagh Republican Force," it *has declared that it was acting* "in retaliation" for the nearby *double killing* a week ago of two Roman Catholics in a road block, which some Roman Catholics allege to have been the work of Loyalist extremists, inside the UDR.

THE LEX COLUMN

No time to decide at Hutchison

The Hutchison International *affair is a vivid reminder of the* risks involved in investing in comparatively unregulated overseas markets. The EGM to approve the Hong Kong and Shanghai Bank's injection of $150m. at HK$1 per share takes place in Hong Kong this Thursday, *and* proxies have to be deposited by to-morrow morning at the latest. Yet copies of Hutchison's letter recommending the deal were not published until Friday, and are only now arriving in the U.K.

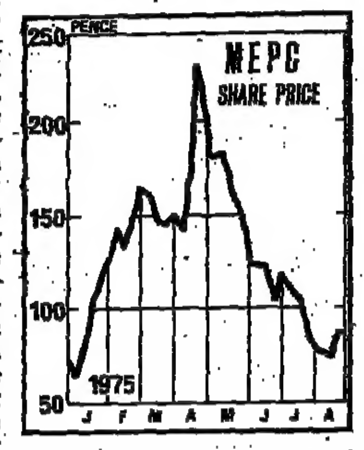
The document still leaves a great number of questions unanswered. Net losses of HK$128m. for *1974-75 are in* line with earlier indications, but are struck after substantial and unidentified exchange losses, and an even larger credit figure described *simply as* "extraordinary items of associated companies." There is no way of matching the losses up with the movements in the *preliminary balance sheet. But an* increased tax charge and sizeable payments to minority interests suggest how the cash flow crisis has arisen, with enormous losses draining the centre of the group and support from the healthy parts of the business being restricted by their outside shareholders.

Plainly Hutchison now needs *cash* very badly. Well over two-thirds of capital employed is now made up of debt, more than half of which is short term, and the group says that *it* will require substantially more than HK$150m. by the end of 1975. Equally *plainly*, there are no alternative sources even though shareholders, believe it or not, are promised another rights issue "in due course." But it is not yet possible to assess whether the bank deserves a third of the enlarged *equity for its pains, or whether* there is any meaning in its reported suggestion that the shares are worth "somewhat in excess of HK$1.30." Last March's net assets of HK$2.59 per share look reasonably conservatively stated, and the gross claims threatened against the Indonesian operation apparently amount to *no more than about* HK$0.31 per share.

The bank has made its offer conditional on the approval of Hutchison's shareholders. However welcome its intervention may be, it would do itself—and the financial image of the Colony—a power of good if it made sure that all shareholders were given the chance to vote *on a properly informed basis.*

MEPC

The market's faith in the *solidity of MEPC* has been badly shaken this year after a £5.77m. downturn post tax into the red at the half-way stage, which was followed by a succession of *rumours about big overseas* losses. There is no doubt that the group will make a loss in 1974-75 and will have to write-down the value of its properties. *But the scale and nature* of its problems are different from other troubled property groups. MEPC does not have the headaches arising from too *much short term* debt but it is



suffering both from the difficulties of certain specific projects and from the general over-expansion of its *development* programme in the early 1970s.

Developments, included at cost of £144m., *accounted for* about a quarter of total property assets in the last *balance-sheet*, and roughly a third are overseas. The chief problem is in Australia, where the Exchange Centre in Sydney has been hit by the collapse of *the main contractor and the* withdrawal of an expected source of long-term finance. About £12m. to £15m. has already been spent on the scheme and a *further £18m.* will be needed before completion in early 1977. The *company says* that it has sufficient finance available from local sales so far of £8m. and from existing facilities to complete the project if it wants to—which *in turn could depend on the* outcome of a legal dispute with an expected major occupier.

There must, however, be doubts about the current realisable value of this project and some of the Continental schemes, notably Frankfurt and Munich, where over *£10m.* has been spent so far and building will not start until there is a major pre-let. Moreover, the Manhattan Center investme[nt] in Brussels is only two-fift[hs] let and has an annual reven[ue] *shortfall* of £1.5m. Back in t[he] U.K., about half the £100m. developments are sites which work will probably [not] start for some time.

A full-scale revaluation likely this autumn instead the rolling basis previou[sly] adopted. Last year, the co[m]pany's valuers reviewed th[e] previous work, but since l[ast] September, values have pr[ob]ably slipped in the U.K. by [be]tween 10 and 15 per cent. Ov[er]seas, Australia and the C[on]tinent together only account [for] about 15 per cent. of the p[ort]folio, and there may even b[e a] *surplus in Canada and the U*[.S.] making up over a fifth.

Overall, any estimate of worth is inevitably guessw[ork]. But it is possible to reduce *fully diluted figure per sh[are]* from 233p to a range of 1[..] to 180p (compared with a [cur]*rent share price of 86p)* depe[nd]ing on whether developm[ents] are taken at current use v[alue] rather than at cost.

The expansion—and su[bse]quent curtailment—of the [de]velopment programme has had its impact on the p & [l] account, as the decision [to] capitalise development int[erest] only on projects "active[ly] under way cut over £3m. the interim figures. T[here] should be no further sp[ecial] write-offs at the full-year the important exception of U.K. housebuilding side £14m. of current assets a[..] ago. Its houses, at the top *of the London market,* are not selling, so sizeable tional provisions will necessary.

These items should be and-for-all, and the com[pany] should be back into the bla[ck] 1975-76. Apart from this, a[n im]provement depends largely the reversionary potential £1.5m. in the second hal[f] 1974-75 alone from the e[nd] the freeze, and a possible £ to £15m. extra in the U.K. the next five years at cu[rrent] market rents.

So while MEPC's wounds serious—and no less so for t[hem] partly self-inflicted through expansion of developments the move into house-buildin[g] the early 1970s — there is *the unstoppable haemorrhag*[e] other companies. But until bad news is fully out of the it is hard to envisage the managing much of a reco[very] relative to the sector.

Arab threat to boycott GEC

By Our Foreign Staff

THE GENERAL Electric Company will be blacklisted by all Arab States if it does not cease trade with Israel within three *months, a conference of Arab* boycott offices in Cairo said yesterday

It said that the warning had already been sent to the British company, which has a substantial trade with the Arab world.

Mr. Peter Higgins, GEC director of overseas operations, said last night that he could not make a formal statement until the company received formal notification.

The news from Cairo was the first hint that the company had had of any action by the Arab Boycott office.

The group has a very substan*tial involvement in the Middle* East and North Africa, which is its biggest growth area for exports. In comparison, trade with Israel is understood to be insignificant.

Big project

One big project for which GEC is involved in the bidding is Saudi Arabia's $15bn. series of electric power and water desalination plants.

GEC's *exports are also* a key factor in keeping its British *factories fully loaded.*

The Arab Boycott conference, which has been meeting in Cairo for the last week, hopes to tighten up its boycott rules against Israel. Earlier, it decided to blacklist the Romanian airline company Tarom, and is considering whether to order similar action against the West German car manufacturers Volkswagen.

Leyland buys Marshall-Fowler

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

BRITISH LEYLAND is paying £3m. to save Marshall-Fowler, the last British-owned manufacturer of crawler tractors *which said in July that it was to* cease production after losing *more than £2m. in three years.*

It means 700 jobs at M-F's Gainsborough plant are safeguarded and BL promises to pump in an additional £2.7m. to modernise the factory and pave the way for a "significant" increase in the number of employees by 1980.

The deal was approved by Mr. Eric Varley, Secretary for *Industry, after consultation with* Lord Ryder, industrial advisor to the Government. But "there is no question of British Leyland, now backed by Government money, using it to save a lame duck." Mr. David Abell, managing director of Leyland Special Products, said yesterday.

It *is one of* the division's subsidiaries, Aveling Barford, which is to acquire M-F. Mr. *Abell* said: "The Marshall-Fowler business has been very carefully examined and it makes sound financial sense for us to take it over.

Advantages

"The product ranges of both Aveling Barford and Marshall-Fowler are *in many ways complementary.* For some time we have *been looking for ways of expanding* capacity at Aveling Barford's *Grantham factory without* massive capital expenditure. The Marshall-Fowler works will provide that capacity, as well as giving us valuable new products."

The take-over had two distinct economic advantages for Britain: the country would retain a valuable export market for M-F products that would otherwise have been lost, and the danger of import substitution —foreign equipment filling the gap created in the U.K. market —was also averted.

M-F is a subsidiary of Thos. W. Ward which, when disclosing the closure plans in July, said that the business had never generated the funds necessary for the modernisation of facilities and *for investment in new* products.

Ward was not prepared to put in the large amount of capital and then make product changes to bring the company back to life.

M-F's crawler tractors (heavy vehicles which move on tracks and are used throughout the world on farms and construction *sites) are right in the main* stream of demand but the kind of output the company could sustain was more suitable for a small, specialised part of the market.

Its main competitors are Massey-Ferguson and International Harvester which can get the benefits of long production runs and a world-wide *marketing operation of a type* M-F and Ward could not sustain.

There was a tribute to the Ward group last night from Mr. *Marcus Kimball, MP* for Gainsborough, who said: "We all appreciate the way Ward has stood by Gainsborough.

"It has allowed Marshall-Fowler to run on at great expense to itself over the negotiations. *It must have cost Ward* a lot of money and it has now come up *trumps for Gainsborough.*"

Mr. Kimball, whose constituency covers an area where *unemployment is at 4.6 per cent.* and which is considered a "grey area" for development purposes and eligible for Government support, also praised the Department of Industry.

"I have never experienced such quick and positive action from any Government department before."

Advance orders, 70 per cent. from overseas, for Aveling Barford products—earth-moving and road-making equipment—ensure that its Grantham plant is fully committed for the next ten months.

It will make a new range of wheeled tractor shovels at the M-F site, 35 miles away. Introduction of the new range was held up by lack of manufacturing *capacity at Grantham.*

Production of tractor shovels *will be transferred from* Grantham to the M-F plant and subsequently replaced by the new range. This will release much needed capacity at Grantham to cope with increased production of dumptrucks and graders and will not in any way affect the numbers employed. Aveling still *needs more people.*

As for M-F, manufacturing will *be concentrated after the take-over* an a reduced model range of crawler tractors. The production of the M-F roller, boilers and other special equipment will be phased out.

The assets to be acquired at Gainsborough include 30 acres of freehold land and buildings and all plant and machinery. M-F has two factories, North and South *works covering 19 acres* between them. The South works *takes in recently built fabrication* shops which will form a nucleus *for future site development.*

See Men and Matters Page 10

Continued from Page 1

Compromise on gold

official price for gold—and the Common Market has given an undertaking that it will not attempt to do so.

In broad terms, the agreement *represents a compromise* between the U.S. Administra*tion's Traditional policy of trying* to end gold's monetary role altogether, and the Common Market view that gold should retain at least a diminishing position in the monetary system.

In addition, the major industrial countries have *also agreed* on the distribution of the 32.5 per *cent., increase in IMF quotas* decided earlier this year, in an effort to keep the fund's lending ability in line with the growth of *world trade* and compensate for inflation.

It is already agreed that the voting strength of the OPEC countries should be doubled from 5 to 10 per cent. to reflect their increased financial power in the world—although the IMF now believes that their payments sur*plus this year will be 25 per cent.* less than in 1974, while the U.S. *is insisting* that they agree to make their currencies fully *usable in the fund in return.*

Ministers have also accepted that this extra 5 per cent. increase in OPEC's strength should be at the expense of the industrial *world* and that the developing countries must retain their present *position.*

This week-end, a final obstacle was removed when the Common Market and other industrial countries agreed that the U.S. should not be asked to reduce its present 22.9 per cent. voting strength below the 20 per cent. level required to block certain Fund decisions and that Europe should make a large contribution.

FT Monthly Survey of Business Opinion

Pay restraints are helping but profit margins slip

THE GOVERNMENT'S new pay restraints are already bringing a slow-down in the rise in industry's wage costs, and have *contributed to a slightly more* optimistic view of the general business situation.

This is shown by the latest Financial Times monthly survey *of business opinion* which covered companies in non-electrical engineering, brewing and distilling and paper and connected industries.

The other rather helpful indicator is the marked improvement in the liquidity position of *companies after the strains* experienced last year. But any signs of renewed confidence are based *more on the* feeling that any move to cut inflation was welcome than on specific expectations, and many companies qualified their views.

Though those in engineering were most inclined to take a favourable general view, last week's survey by the Engineering Employers' Federation has *painted a "grim" picture of* their own outlook. And the prospect shown by the FT *survey includes lower investment,* further increases in unemployment and greater pressure on profit margins.

The great bulk of companies *in brewing and distilling* and the paper and allied industries expect their output to be much *the same in the next 12 months,* though the engineering industry is a little more hopeful.

Further increases in unemployment remain unavoidable, *with half of the companies in* the all-industry sample expecting no rise in the next 12 months and most of the rest anticipating a fall.

The outlook for capital expenditure remains bleak, with 43 per cent. of the companies *expecting it to fall over the* next 12 months. And the prospects for profitability have taken a sharp turn for the worse, with profit margins, *earnings on capital employed* and earnings per share all showing a deterioration.

Full details Page 33

EARNINGS ON CAPITAL

4 monthly moving total — August 1975

Those expecting earnings during current year to:	May-Aug. %	Apr.-July %	Mar.-June %	Feb.-May %	Eng'g. (non-elec.) %	Brews. & Distls. %	Paper & Alld. Ind. %
Improve	33	33	30	31	55	9	8
Remain the same	18	28	27	24	5	6	11
Contract	46	35	39	41	40	70	77
No comment	3	4	4	4	—	15	4

Weather

U.K. TO-DAY

RAIN AT times; sunny periods.

London, S.E. England, E. Anglia, Channel Is.
Cloudy at first, generally dry. Wind N., light. Max. 21C (70F).

Cent. S., S.W. England, E Midlands
Sunny. Wind N., light. Max. 22C (72F)

E., N.W., N.E., Cent., N. England, W. Midlands, S. Wales, N. Wales
Sunny after fog patches. Wind N., light. Max. 22C (72F)

Lakes, Is. of Man
Mainly dry. Cloudy later. Wind W., light. Max 19C (66F).

Borders, Edinburgh, Dundee, Aberdeen, Cent. Highlands, Moray Firth
Sunny, some rain. Wind S.W., moderate. Max. 20C (68)F

S.W. Scotland, Glasgow, Argyll, N. Ireland
Rain with bright intervals. Wind S.W., moderate. Max. 18C (64F).

N.E., N.W. Scotland, Orkney, Shetland
Rain, hill fog. Wind S.W., fresh. Max. 15C (59F).

Outlook: Rain, changeable.

Lighting up: London 20.19, Birmingham 20.28, Glasgow 20.44, Belfast 20.48.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amsterdm.	S	22	72	Lisbon	S	28	82
Athens	S	33	91	London	C	17	63
Barcelona	T	21	70	Luxembg.	C	20	68
Beirut	R	30	86	Madrid	S	28	82
Belfast	S	16	61	Manchstr.	F	17	63
Belgrade	C	22	72	Milan	F	25	77
Berlin	C	21	70	Moscow	S	17	63
Birmghm	C	14	57	Munich	F	20	68
Bristol	C	16	61	Newcastle	S	15	59
Brussels	F	20	68	Oslo	F	19	66
Budapest	F	24	75	Paris	S	20	68
Cardiff	C	17	63	Prague	S	25	77
Cologne	C	17	63	Reykjavik	R	9	48
Copnhagn	S	23	73	Rome	S	27	81
Dublin	S	17	63	Stockholm	C	16	61
Edinb'gh	S	16	61	Strasbourg	F	24	75
Frankfurt	C	22	72	Tel Aviv	S	29	84
Geneva	F	21	70	Vienna	S	25	77
Glasgow	S	17	63	Warsaw	S	26	79
Helsinki	F	16	61	Zurich	S	20	68

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	S	25	77	Jersey	S	19	66
Algiers	S	28	82	L. Palmas	S	25	77
Biarritz	C	18	64	Locarno	C	21	70
Blackpool	S	17	63	Majorca	S	27	81
Bordeaux	F	19	66	Malaga	S	27	81
Boulogne	F	18	64	Malta	S	27	81
Casablanca	S	25	77	Naples	F	27	81
Corfu	S	29	84	Nice	F	24	75
Dubrovnik	S	24	75	Nicosia	S	29	84
Faro	S	26	79	Oporto	S	21	70
Florence	S	25	77	Rhodes	S	30	86
Funchal	S	24	75	Salzburg	C	21	70
Gibraltar	S	28	82	Tangier	S	25	77
Guernsey	S	21	70	Tenerife	S	23	73
Innsbruck	F	21	70	Tunis	S	28	82
Inverness	F	17	63	Valencia	S	28	82
I. of Man	F	16	61	Venice	S	24	75
Istanbul	F	26	79				

S—Sunny; T—Thunderstorms; C—Cloudy; F—Fair; R—Rain.

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